PEOPLE
TECHNOLOGY

SOLUTIONS

BCE Inc.

1996 Annual Report

LEADERSHIP IN

COMMUNICATIONS

BCE IS CANADA'S GLOBAL TELECOMMUNICATIONS COMPANY

WITH 121,000 EMPLOYEES WORLDWIDE, REVENUES OF $28 BILLION AND ASSETS EXCEEDING $41 BILLION. WE ARE ONE OF THE MOST DIVERSIFIED OF THE WORLD'S LEADING TELECOM COMPANIES, WITH INTERESTS IN THE SERVICES BUSINESS, IN EQUIPMENT, IN TECHNOLOGY, IN DIRECTORIES, IN NETWORKS WIRED AND WIRELESS, AND IN SATELLITES. WE REPRESENT THE PEOPLE, TECHNOLOGY AND SOLUTIONS THAT ENABLE COMMUNICATIONS FOR OUR MILLIONS OF CUSTOMERS, AT HOME AND ABROAD.

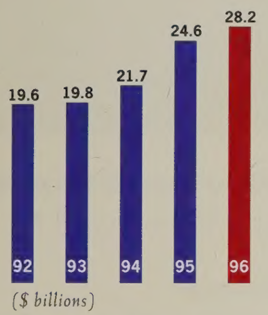
CONTENTS

Financial Highlights

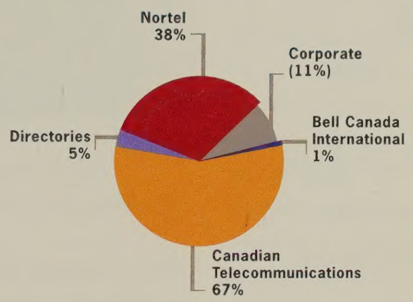
($ millions, except per share amounts)	**1996**	1995	1994
Revenues	**28,167**	24,624	21,670
Net earnings	**1,152**	782	1,178
Net earnings applicable to common shares	**1,076**	695	1,086
Earnings per common share	**3.40**	2.23	3.52
Operating cash flow per common share*	**14.73**	12.09	12.72
EBITDA†	**7,119**	6,026	5,681
Return on average common equity (%)	**10.6**	7.0	11.1

*After payment of preferred dividends
†Earnings before interest, taxes, depreciation and amortization

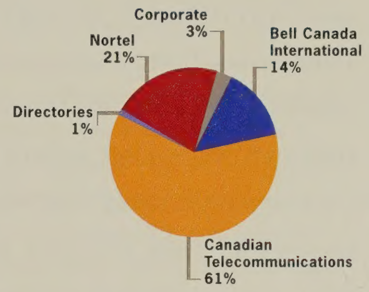
Revenues



Contributions to BCE net earnings

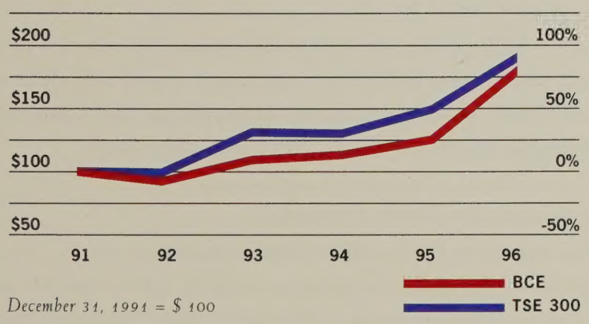


Investments at equity



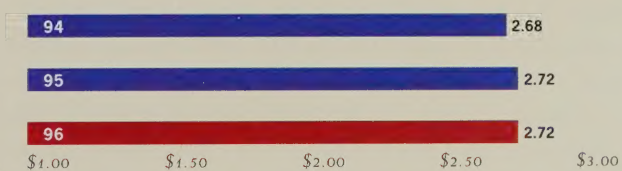
Shareholders' total return

The compound annual return on BCE common shares during the five-year period ending December 31, 1996, assuming reinvestment of all dividends, was 12.7% compared to a 13.9% return on the Toronto Stock Exchange 300.



Dividends Paid

The quarterly dividend of $0.68 has been in effect since January, 1995.



Price range of common shares

	1996			1995		
	High	Low	Close	High	Low	Close
Toronto Stock Exchange ($)	**68.95**	**47**	**65.30**	47⅜	41⅛	47¼
NYSE Consolidated tape ($US)	**50¾**	**34½**	**47¾**	35	29	34½

In 1996, the TSE moved from fractional price measurement to decimal format.

Through a unique blend of people, technology and solutions BCE offers innovative and highly reliable telecommunications services. It is these capabilities along with an unbending dedication to serving our customers that drove our success in 1996, and allows us to continue building for the future.

The year 1996 marked a successful recovery at BCE with improved results in all operating areas. The company reported net earnings of $1.152 billion, an increase of 47.3 per cent over 1995 earnings of $782 million. Revenues reached a record $28.2 billion, a 14.4 per cent increase over the $24.6 billion recorded in 1995.

Return on common equity (ROE) was 10.6 per cent in 1996 compared with 7.0 per cent the previous year. Despite this significant improvement, return on equity is still not adequate to sustain the company's growth. We will continue to work to move ROE to a 12 to 15 per cent range.

With respect to our operating companies, Bell Canada (excluding directory operations) posted earnings applicable to common shares of $663 million, slightly above the target for the second year of its three-year business transformation program. Nortel contributed $435 million to BCE earnings, up by 30.2 per cent over 1995, paced by record revenues. Continued strong growth in cellular subscribers, added to a loyal customer base, helped BCE Mobile achieve a contribution of $40 million to earnings. Our directories group, with activities both in Canada and abroad, contributed $56 million. Bell Canada International (BCI), while continuing to invest in high-potential markets in Asia and Latin America, made a $10 million contribution for the year, the result of gains associated with investments in the U.K. and New Zealand.

At the meeting of the Board of Directors on January 27, 1997, a two-for-one split of common shares was proposed. At that time, the share price had increased 54.9 per cent during the previous 18 months. The company believes the split will make the stock more affordable to individual investors.

The stock split will be voted on by shareholders at the company's annual meeting on April 30 in Montreal. For additional information, please refer to the company's Management Proxy Circular.

More detailed financial information, including year-over-year comparisons, is found beginning on page 21.

Bell Transformation Program

Bell Canada successfully completed the second year of its three-year plan which was launched in 1995 to transform the company into a more customer-focused, competitive organization.

Despite an extremely competitive marketplace, Bell achieved its earnings objectives for 1996 and its staff reduction program is developing as expected. We believe that Bell Canada has set a standard in assisting departing employees through its unique "Career Crossroads" program through which many have found new jobs.

Bell's return on common equity in 1996 was 9.8 per cent, up from 6.7 per cent the previous year, but still well short of acceptable profitability. The financial goal of Bell Canada is to ultimately return to historic levels of performance.

Regulatory Developments

Bell's regulator, the Canadian Radio-television and Telecommunications Commission (CRTC), continues to work towards the evolution of a fully competitive telecommunications environment in Canada. There are still several areas – such as the full deregulation of long distance services and the right to bundle cellular phone services with wireline telephony – where Bell Canada and its Stentor partners do not believe that regulatory changes are keeping pace with market developments. Such restrictions are counterproductive since they impede

R.W. Osborne, L.R. Wilson, P.J. Nicholson

Bell's ability to respond to the demands of the marketplace and delay the deployment of new solutions to fuel leading-edge telecommunications development in Canada.

Decisions are pending in 1997 on several important regulatory proceedings conducted by the CRTC in 1996 – including hearings on the introduction of competition in local telephone service, and on the implementation of local service "price caps", scheduled to take effect in 1998. The impending price cap regime will fundamentally change the regulation of local service from the traditional rate of return basis to a method in which the average price of a basket of services is subject to an upper limit or "cap" that will be reduced over time. Unlike rate of return regulation, price caps are designed to imitate a competitive marketplace by controlling prices, not profits. The system can potentially work to the advantage of companies that are able to continually boost efficiency and overall performance.

People, Technology, Solutions

Through its employees in Canada and around the world, the BCE group of companies is blessed with people who have outstanding skills and knowledge. It is that wealth of know-how that transforms the potential of technology into practical solutions for our customers. Some examples:

• At Bell Canada, specialists in engineering and product development are working on a number of trials with selected customers that will help define the telecommunications solutions of the future. These include proposed trials in Repentigny, Quebec, and London, Ontario, where Bell plans to test packages of services that include cable TV, telephone and video-on-demand such as movies and educational services, all delivered over a state-of-the-art network that is a hybrid of fibre optic and coaxial cable. These trials are subject to approval by the CRTC which held a public hearing on the issue in February, 1997.

In two other communities, Saint-Bruno, Quebec, and Kanata, Ontario, Bell customers are likewise testing a new technology that turns a simple telephone wire into a high-speed access ramp onto the information highway. The technology, known as Asymmetric Digital Subscriber Line (ADSL), will begin to be commercially available later in 1997 and will provide access to the Internet at speeds 50 to 100 times faster than conventional telephone modems.

• Building on its commitment to research and development, Nortel has vaulted into the ranks of world leadership in the provision of wireless telephone networks. For example, the proportion of Nortel's revenues accounted for by wireless sales has jumped from 3 per cent in 1992 to 19 per cent in 1996. Nortel customers include many of the leading telecom operators in the United States, Latin America, Europe and Asia.

• BCE Mobile, along with its sister companies in Mobility Canada, is committed to market leadership in mobile communications, undoubtedly one of the most promising sectors in our industry. BCE Mobile is readying its new digital personal communications services (PCS) network to begin service in 1997. Mobile's customers will be able to have the best of both worlds with the option of new "dual mode" phones that will allow subscribers to access both PCS services and Mobile's very extensive cellular network.

• TMI Communications launched a satellite in 1996 that permits a number of new mobile voice and data services directed primarily to areas that are not served by the cellular telephone network.

• Tele-Direct is seeking new advertising opportunities for its customers by developing the electronic services of the future that will use the Internet and other multimedia paths to

communicate with consumers. For example, Tele-Direct's site on the World Wide Web will feature links that with a "mouse click" deliver potential customers to the web sites of Yellow Pages directory advertisers.

• BCI is building on the resources, the expertise and the reputation of the BCE group of companies to apply unique leverage to investment opportunities in developing markets such as China, India, Colombia and Brazil. In 1996, BCI's joint venture in India launched wireless service in the State of Andhra Pradesh. And Comcel, BCI's cellular affiliate in Colombia, established itself as the market leader attracting 166,000 customers in its first 30 months of operation.

It is these three ingredients – people, technology and solutions – that form the basis for our success and the foundation from which we can build shareholder value and continue to invest in our future.

Investing in Canada

BCE is an important contributor to both the economy and society in Canada and abroad. The BCE group of companies employs some 121,000 people worldwide with assets exceeding $41 billion and annual revenues of more than $28 billion.

In Canada, we employ 73,000 people and have revenues of $12.4 billion. The annual tax bill of the BCE group of companies is $1.5 billion, and our payroll totals $4 billion annually.

The companies in the BCE group – most notably Nortel – spent more than $2.5 billion in 1996 on research and development, the majority of which is spent in Canada and the United States.

If Canada is to continue to enjoy the benefits of a world-class telecommunications network, all industry participants must likewise be committed to invest in the facilities of the future together with the research and development on which new and more efficient services depend.

For our operating companies, investing in Canada also means supporting our communities and social organizations through charitable donations. In 1996, our companies together contributed $25 million through corporate donations, sponsorship of special events and educational endeavours.

Corporate Governance

During 1996, there were two changes on the company's Board of Directors.

The Honourable Donald J. Johnston left the board in 1996 to accept the position of secretary-general of the Organization for Economic and Cooperative Development in Paris. He had been a member of the board since 1989 and his contribution has been greatly appreciated. Mr. Johnston was replaced on the board by Ronald W. Osborne, the president of the corporation.

In the company's Management Proxy Circular, you will find a detailed corporate governance section which deals with the composition, independence and mandate of the Board of Directors and also reviews the roles and responsibilities of the various committees of the board.

BCE continues to lead in adopting effective practices in selecting, compensating and discharging the responsibilities of the board in order to attain the highest standards of corporate governance.

Human Resources

Operating in such a competitive and dynamic industry as telecommunications requires the BCE group of companies to attract and retain the most highly skilled individuals. As a strategic management company, we must build teams of employees that are a match for those found anywhere else in the industry.

There were some notable changes at the officer level of the company during 1996. William D. Anderson, formerly chief financial officer of Bell Cablemedia in the United Kingdom, has returned to BCE as senior vice-president, finance. Mr. Anderson was vice-president, taxation at BCE prior to his move to the United Kingdom.

Siim Vanaselja, previously vice-president, taxation at BCE, was appointed executive vice-president and chief financial officer at Bell Canada International.

Francine Osborne was appointed vice-president, communications of the corporation. Ms. Osborne was formerly vice-president of communications at Pratt & Whitney Canada and had a distinguished career in journalism.

Looking Ahead

Telecommunications has emerged as perhaps the world's most dynamic and exciting industry. This transformation is all the more remarkable in view of the industry's past – a great legacy of engineering achievement and service dependability, but characterized nevertheless by the predictable momentum of monopoly.

Those days are over. And while important parts of our business are still under the yoke of traditional regulation, the transformation to largely unbridled competition is already well advanced.

Now that telecommunications has fully embraced the digital age and become united with the technology of the microchip, the potential for new capabilities and vastly increased productivity is unlimited.

At the same time, the potent new combination of technology and competition has brought the customer's interests front and centre. The companies in the BCE group have responded by assembling skills and shaping new strategies that are sharply focused on the marketplace.

Looking ahead, the principal challenge facing BCE is to understand and successfully manage the tremendous change that will continue to buffet our industry for as long as one can foresee. Since no one can possibly predict the future course of technology, of competition, or of customer tastes, the objective must be to build a company that has the inherent capability to innovate – to change and adapt to the unexpected, whether an unanticipated opportunity or challenge.

For BCE's shareholders, employees and customers alike, the new era of telecommunications will be less certain than in the past, but we must continue to strive to ensure that it will be more rewarding.

L. R. Wilson
Chairman and Chief Executive Officer

February 26, 1997

L.R. Wilson addresses some of the key issues facing the industry

What are the implications of local telephone service competition for Bell Canada?

We're waiting for the regulator to decide on the rules for local competition and therefore can only speculate. We do know that the introduction of competition is always toughest on the incumbent. But Bell surprised many people with the speed and vigor it showed when responding to long distance competition, and I think you'll see a similar performance in the local market. Bell's marketing capabilities and its competitive abilities are not in question. What would be troublesome is if the competitive rules were to penalize Bell to the benefit of new players as has been the case in the long distance market. For example, Bell is required by law to provide local service virtually everywhere, often at a loss, while the new players may choose to provide service only in densely populated areas where costs are lower and profits are attractive. Over the years, Bell has also invested many billions of dollars in network facilities and it would be unfair if competitors who were not prepared to make their own investments in new facilities were nevertheless given mandatory access to Bell's network on less than compensatory terms.

Overall, however, we welcome local service competition and expect that the government will follow through on its promise of reciprocity, allowing the telephone companies to enter non-traditional lines of business such as cable television and interactive services. Competition of this nature promises to benefit the customer. And what's good for the customer is ultimately good for our employees and shareholders, and for the strength of the industry as a whole.

The concept of the information highway has been around for a couple of years, but there have been few major developments. What's your view of the current situation?

There is no question our telecommunications network is gradually moving from carrying primarily voice to carrying multimedia. However, the information highway as it was envisioned several years ago with such fanfare is still a ways off. Keep in mind that when many of these visions were put forward, the Internet didn't have the tremendous penetration and growth curve it now enjoys. The rise of the World Wide Web has thrown us all a new twist. Everyone is wondering how to make money from new services and investments in the Internet. At the same time, everyone is also climbing on the bandwagon to avoid being left behind.

Time will tell how the Internet evolves into the broadband information highway. But the first phase is already well-launched since 20 per cent of Canadians are Internet users to varying degrees. BCE companies have to be leaders in the development of this revolutionary new medium. For example, Bell's Internet access service Sympatico is now the most popular in the country. I think the next two to three years will be critical in terms of deciding who's going to pay for the construction of the information highway, who's going to use it, and how profits will be made.

BCE in Canada: Facts and figures

• Revenues	$12.4 billion
• Capital expenditures	$2.5 billion
• R&D expenditures	$1.1 billion
• Total taxes paid	$1.5 billion
• Number of shareholders	350,000 (app.)
• Total dividends paid to common shareholders	$741 million
• Donations, educational and other sponsorships	$25 million
• Employees	73,000
• Pensioners	32,000

All figures are for the year 1996, Canada only.

The global telecommunications market is expanding at an astounding rate. How are BCE companies benefiting from it?

A quick look at Nortel's financials tells volumes on that issue. With record revenues and orders, Nortel is riding the crest of the wave when it comes to the expanding telecom market. In a matter of a few years, Nortel has redefined its marketplace, evolving from primarily serving Canada to aggressively serving the world. Today, 37 per cent of Nortel's sales are outside Canada and the United States. It has been a dramatic transformation that has thrust the company into the global spotlight.

Our other major accomplishment on the world stage has been the growth in Bell Canada International's portfolio of investments – increasing from around $10 million in 1989 to more than $2 billion today. Many are in countries which have exceptional potential for growth, such as China, India, Brazil and Colombia. Our cellular subsidiary operating in the eastern region of Colombia, for example, has grown from a standing start to 166,000 customers in just 30 months. BCI's success has been driven by an effective investment strategy coupled with the ability to leverage the strengths – people, technology and solutions – found within the BCE family.

Many view wireless as having the greatest growth potential in the industry. Again, how are the BCE companies positioned?

We believe that wireless will continue to be a major growth component for the industry. Let me deal first with Nortel which in 1996 received 19 per cent of its revenues from its portfolio of wireless products, compared with only 3 per cent in 1992. Nortel's reputation for technological excellence has made its wireless products the choice of customers worldwide.

Closer to home, Bell Mobility is moving its cellular service from an analog to a digital platform which will permit better voice quality, new services to be introduced, and call privacy to be better protected. Part of this digital transformation includes ambitious plans for the introduction of personal communications services (PCS) in Quebec and Ontario, as well as across Canada, through its Mobility Canada partners. Growth of wireless is driven by customers' demands for convenient, cost-effective, anytime, anywhere communications. And we will see that trend continue as we move into new areas such as wireless data, advanced satellite-based telephone systems and Direct-To-Home (DTH) TV services, spearheaded by BCE companies, including Telésat, TMI and ExpressVu.

Convergence is yet another term we hear a great deal about. Exactly what does it mean and how does BCE fit in?

In simplest terms, convergence means getting television signals and interactive services from your phone company and getting telephone service from your cable company. Now that all forms of transmitted information are being converted to a common digital format, industries such as telephony and cable television that used very different technologies in the past are "converging". The barriers between them are about to fall and new forms of competition will be able to occur.

For BCE, convergence carries the promise of taking us well beyond traditional lines of business – into interactive services for the home and office, broadcast services and content creation and management. We are already active in a number of new areas. Bell Canada is proposing residential trials for London, Ontario, and Repentigny, Quebec, that will test cable-based interactive and entertainment services. Through ExpressVu, BCE will participate in an important part of the broadcast industry when DTH services are launched nationwide later this year. And finally, BCE expanded its investment in the content business with the purchase of equity in Sun Media and its Internet service known as CANOE. This will add new capability in addition to BCE's existing investment in MediaLinx and the Sympatico Internet service.

That broad-spectrum approach, in keeping with the diverse nature of our telecom operations, positions us extremely well for the future.

Our Group of Companies

BCE

Canadian Telecommunications

Wireline

Bell Canada 100%

- Bell Sygma Inc. 100%
- MediaLinx Interactive, Limited Partnership 75.4%[1]

Télébec ltée 100%

Northern Telephone Limited 99.9%

Northwestel Inc. 100%

NewTel Enterprises Limited 55.6%

- NewTel Communications Inc. 100%

Bruncor Inc. 45%

- The New Brunswick Telephone Company, Limited 100%

Maritime Telegraph and Telephone Company, Limited 35.5%[2]

- The Island Telephone Company Limited 52%

Teleglobe Inc. 24.3%[3]

Wireless

BCE Mobile Communications Inc. 65.3%

- Bell Mobility companies 100%
- Iridium Canada Inc. 48%

Satellite

Telesat Canada 58.7%[4]

TMI Communications and Company, Limited Partnership 100%

Multimedia

ExpressVu Inc. 39.5%[5]

Bell Canada International

Bell Canada International Inc. 100%

Wireline

- Mercury Communications Limited (United Kingdom) 15%[6][7]

Cable TV & Telecom

- Bell Cablemedia plc (United Kingdom) 32.5%[7][8]
- Jones Intercable, Inc. (U.S.A.) 30.6%[3]
- Canbras TVA Cabo Ltda. (Brazil)[9]
- Tata Teleservices (India)[10]

Wireless & Telecom

- Comunicación Celular Comcel S.A. (Colombia) 51.1%
- Tata Communications (India) 39%
- Yantai Bell (China) 40.8%[3]
- Shandong Hehua Bell (China) 39.8%[3]
- Astel Tokyo Corporation (Japan) 1%

Directories

Tele-Direct (Publications) Inc. 100%

Tele-Direct (Services) Inc. (Canada) 100%

Tele-Direct International 100%

- Pacific Access Pty. Ltd. (Australia) 12.2%
- Telecom Directories Limited (Hong Kong) 49%
- Al Wahda-Express (United Arab Emirates) 35%
- Tele-Gulf Directory Publications (Bahrain) 59%
- Egypt Yellow Pages Limited 47%
- The Directories Co. for Advertising & Publicity Ltd. (Jordan) 60%
- Caribbean Publishing Company (Cayman Islands) 96%

Northern Telecom

Northern Telecom Limited 51.3%

- Northern Telecom Inc. (U.S.A.) 100%
- Nortel Limited (United Kingdom) 100%
- Nortel CALA Inc. (Caribbean and Latin America) 100%
- Northern Telecom (Asia) Limited (Hong Kong) 100%
- Nortel Europe S.A. (France) 100%

Ownership percentages displayed are as of February 21, 1997 unless otherwise noted. Certain entities are held indirectly through one or more subsidiaries which are not shown here.

(1) As of July 1, 1996.
(2) BCE, under a provincial statute, can vote only 1,000 shares of Maritime Telegraph and Telephone.
(3) Percentages shown are on a fully diluted basis.
(4) BCE has only a 26.1% voting interest in Telesat Canada.
(5) An additional 46.8% is being held by a trustee pending the approval of the CRTC on its transfer to BCE.
(6) As of January 17, 1997.
(7) To be merged into new company, Cable and Wireless Communications. BCI will have a 14.2% interest.
(8) As of January 1, 1997.
(9) Ultimate percentage depends on amount and time of conversion of debentures.
(10) BCI has commitments to acquire 39% upon awarding of a wireline licence.

Our Principal Subsidiaries' Profiles

Bell Canada

Bell Canada is Canada's largest supplier of telecommunications services. With one of the world's most robust and reliable public switched networks, Bell provides advanced voice, data and image communications to more than seven million business and residential customers in Ontario and Quebec. One hundred per cent of Bell's long distance network is served by digital switches, as are 97 per cent of its local service lines.

As of December 31, 1996	
Number of employees	44,895
Total assets	$19 billion
Network access services	10.3 million
Conversation minutes carried in 1996	10.1 billion
Current market share	
long distance	69%
local access market	100%

Northern Telecom

Nortel (Northern Telecom) is a leading global provider of communications solutions. Nortel is working closely with customers worldwide to create "A World of Networks" that offers a wealth of new networking possibilities to public carriers and businesses globally. Nortel offers a broad portfolio of solutions for designing, building, and integrating telecommunications networks – for communication, information, entertainment, education and commerce.

As of December 31, 1996	
Number of employees (consolidated)	67,584
Countries or territories with Nortel presence	150
Geographic sources of revenues	
United States	$9.3 billion
Europe	$4.1 billion
Canada	$1.7 billion
Other markets	$2.4 billion

BCE Mobile

BCE Mobile Communications Inc. is Canada's most experienced full-service wireless telecommunications company. Through subsidiaries which operate under the Bell Mobility banner, it provides cellular and paging services in Ontario and Quebec and nationally through its participation in Mobility Canada. BCE Mobile also provides mobile packet data service, airline passenger and satellite communications services, and is involved in the sale of cellular hardware and private radio systems. BCE Mobile will test its digital personal communications services (PCS) in Ottawa in the spring of 1997 and expects to begin offering service in Ottawa, Toronto and Montreal in the summer and in Quebec City in the fall.

As of December 31, 1996	
Number of employees	2,681
Cellular subscribers	1,044,000
Revenue per subscriber (per month)	$67
Pagers in service	396,000
Revenue per pager (per month)	$17

Bell Canada International

BCI is BCE's primary vehicle for investment in network operations outside Canada, with a mandate to expand and diversify BCE's global presence by leveraging the strengths and skills of the BCE group in promising foreign ventures. With a 1996 investment base exceeding $2 billion, BCI owns significant interests in wireline, cablephone and wireless operations in the United Kingdom, United States, Colombia, Brazil, China and India.

As of December 31, 1996	
Number of employees	690
Mercury conversation minutes	15.3 billion
Bell Cablemedia	
CATV subscribers	315,000
Residential subscribers	292,000
Business lines	41,000
Jones Intercable	
Subscribers (owned)	585,000
Subscribers (managed)	865,000
Comcel subscribers	166,000
Brazil/China/India subscribers	14,000

Tele-Direct

Tele-Direct is one of the world's leading directory publishers. The company sells, markets and publishes alphabetical pages and Yellow Pages directories for communities in Ontario and Quebec served by Bell Canada, and provides similar services for other telephone companies in Atlantic Canada, Ontario, Quebec and the Northwest Territories. The company publishes directories in the United Arab Emirates, Bahrain, Oman, Jordan, Qatar, Egypt, the Caribbean and Hong Kong. In addition, the company uses emerging technologies such as CD-ROMs and the Internet to provide new innovative advertising and marketing services that connect buyers with sellers.

As of December 31, 1996	
Number of employees	2,600
Number of directories published annually	156
Number of Canadian advertisers	317,000

Financial highlights / Operational highlights

Bell

($ millions, except per share amounts)	1996	1995
Consolidated revenues	**8,700**	8,183
Consolidated net income applicable to common shares	**714**	502
% return on average common equity	**9.8**	6.7
Consolidated operating cash flow	**2,757**	2,435
Consolidated free cash flow	**204**	(44)
Telecommunications contribution to BCE earnings per share	**2.10**	1.45

- Earnings growth of 42% to $714 million.
- Revenue growth of 6%, as compared to the 1-2% annual growth rates realized in the previous five years.
- Bell's first general rate increase in 13 years.
- In spite of continued line growth, operating expenses (excluding depreciation and amortization) decreased due mostly to streamlining of operations, as a result of business transformation initiatives.
- Achieved positive free cash flow for the first time in over 50 years.

Nortel Northern Telecom

($ millions, except per share amounts)	1996	1995
Revenues	**17,511**	14,626
R&D investment	**2,471**	2,165
Operating cash flow	**1,417**	1,142
Contribution to BCE earnings per share	**1.37**	1.07

- Revenues increased by 20% to $17.5 billion.
- Order input increased by 28% to $19.3 billion.
- Net earnings applicable to common shares were $844 million or $3.27 per share.
- Revenues from customers outside the United States and Canada accounted for 37% of total consolidated revenues.
- Research and development expenses increased to $2.5 billion or 14.1% of revenues, primarily driven by increased investments in the wireless, enterprise, and broadband network portfolios.

BCE Mobile

($ millions, except per share amounts)	1996	1995
Revenues	**926**	781
Operating cash flow	**236**	213
Net income	**64**	51
Contribution to BCE earnings per share	**0.13**	0.10

- Revenues increased by 19% during the year to $926 million compared with $781 million in 1995.
- Net income increased to $64 million in 1996 compared with $51 million in 1995. Included in 1996 figures are gains on the sale of investments in Clearnet Communications Inc. and Teletech Financial Corporation totalling $55 million, substantially offset by special charges totalling $51 million. Net income before non-recurring items was $60 million.

Bell Canada International

($ millions, except per share amounts)	1996	1995
Revenues	**221**	223
Investment base	**2,051**	2,078
Proportionate share of EBITDA in underlying operations	**333**	252
Contribution to BCE earnings per share	**0.03**	(0.21)

- Agreement to form new, integrated UK service provider, Cable and Wireless Communications. (Transaction expected to be completed in spring of 1997.)
- Continuing rapid growth in Colombian cellular subscribers.
- CATV and cellular networks launched in Brazil, China and India.
- Expansion of Chinese cellular venture in partnership with three associated companies of American International Group, A.I.G.

Tele-Direct (Publications) Inc.™

($ millions, except per share amounts)	1996	1995
Revenues	**556**	570
Operating cash flow	**66**	55
Contribution to BCE earnings per share	**0.18**	0.16

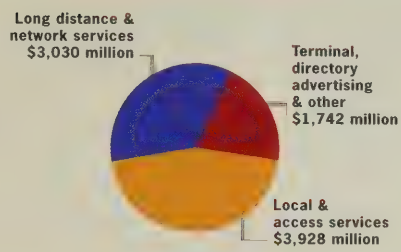
- Operating cash flow of $66 million increased by 20%.
- Contribution to BCE earnings of $56 million increased by 12% over the prior year.

Market overview

Our key strategies

- The long distance market continued to grow in 1996. However, Bell's market share fell to 69%, reflecting continued intense competition and the increased presence of strong North American brands in our market.
- Regulatory proceedings commenced in 1996 to determine the terms and conditions of local service competition with decisions expected in 1997.
- Bell entered the Internet market with its Sympatico service while offering new electronic commerce applications such as banking using screen-based phones.
- Federal policy on convergence, released in August 1996, signals new opportunities for telecom companies to enter markets formerly restricted to broadcasters and vice versa.

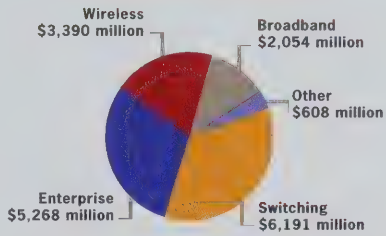
Sources of revenues



- Aggressively develop new markets, products and services, and explore content capability, to generate new revenue streams.
- Increase customer loyalty and value for the customer by creating flexible, custom-made, easy-to-use, competitively priced packages of communications solutions.
- Forge partnerships with large global players and small innovative companies to provide end-to-end solutions and to develop new and creative applications.
- Continue efforts with policy makers to arrive at a rational local pricing structure and attain a level playing field free of regulatory restrictions.
- Invest in network infrastructure and in access technologies and continue to lower operating costs.

- Accelerating globalization of the telecommunications marketplace.
- Convergence of technologies, comprehensive regulatory changes and privatization outside North America are resulting in a dramatic evolution of the telecom industry.
- Significant growth opportunities exist in deregulating and emerging economies and in new technologies such as wireless and data (e.g., the Internet).
- Competition is intensifying in response to the new opportunities arising from the U.S. Telecom Act 1996 and the rapid growth of the Internet.

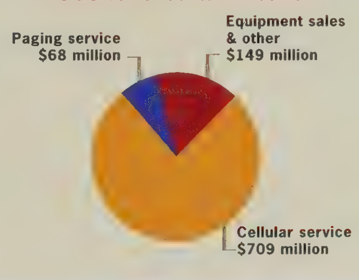
Sources of revenues



- Leverage our breadth of portfolio and networking competency to lead deployment of "mission critical" digital networks.
- Partner with our customers to usher in "A World of Networks" and the introduction of "21st Century Telecom Service".
- Continue to expand our international presence.
- Utilize joint ventures and/or strategic alliances to provide end-to-end solutions for our customers.

- Emerging wireless technologies such as PCS and enhanced specialized mobile radio (ESMR) are expected to increase the level of competition in the Canadian wireless industry.
- BCE Mobile believes that the development of significant competition from new wireless service providers offering PCS or ESMR services is dependent upon their ability to successfully fund and build networks capable of offering service which is comparable in functionality and value to the services offered by BCE Mobile's businesses.

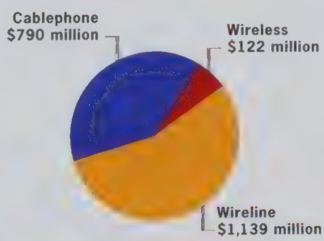
Sources of revenues



- BCE Mobile's strategy is to continue to cultivate its position as Canada's wireless communications leader.
- Our integrated networks approach will enable us to offer 1.9 GHz digital capability as an extension to our present cellular network.
- Bell Mobility is ideally positioned to capitalize on its knowledge of customers, network operations and marketing to set the standards of excellence in the PCS business.

- Creation of Cable and Wireless Communications will be a major milestone in the dynamic UK market.
- Promising growth opportunities continue to emerge in key markets.

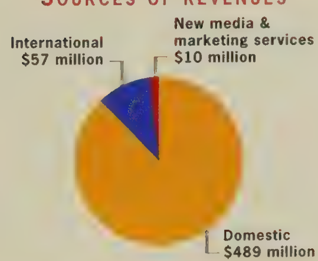
Investment base



- Complete the creation of Cable and Wireless Communications and ensure a successful launch of the new, integrated business.
- Meet business plan and operation targets while building out networks.
- Pursue new opportunities in key emerging markets.

- Canadian consumers are more sophisticated today; they are quality and value-conscious.
- Advertisers want to target specific, high-value, loyal customers.
- Marketing strategies are changing to highly targeted approaches using new media such as the Internet, as well as sophisticated data management applications.

Sources of revenues



- To understand our customers' needs intimately and consistently exceed their expectations.
- Continue to build our capabilities in electronic media and direct response marketing.
- Continue to leverage our core sales and marketing competencies to seek new emerging market opportunities abroad.

Our Individual Commitments

"The new Bell is focused on customer intimacy. We realize that customers today want more individual control. We are personalizing our approach, tailoring our services to their individual needs and offering them expanded choice, ease of interface and the best overall value."

John T. McLennan
President and Chief Executive Officer
Bell Canada

VALUE

"To achieve our goals and aspirations, we must have a laser-like focus on delivering value to our customers and on helping them be successful by helping them expand their businesses. Our mission is simple: to deliver market leadership through customer satisfaction, superior value and product excellence."

Jean C. Monty
President and Chief Executive Officer
Nortel

FOCUS

"Building the future is about expanding capabilities based on experience and analysis of new opportunities. BCE Mobile's goals for 1997 are to establish a leadership position in PCS as an extension of our total service offerings, and provide our customers with the best value and range of choice for their wireless communications dollars."

Robert A. Ferchat
Chairman and Chief Executive Officer
BCE Mobile

CHOICE

"1996 was a year of considerable accomplishment for BCI. With the creation of Cable and Wireless Communications as a major, new force in the UK market, the launch of networks in Brazil, China, and India and with the continuing success of our Colombian cellular venture, BCI is well-positioned for growth in the years ahead."

Derek H. Burney
Chairman, President and Chief Executive Officer
Bell Canada International

GROWTH

"Our challenge and our commitment is to strengthen every customer relationship, both in Canada and abroad, by continuing to find new and innovative ways to connect buyers and sellers. We will continue to utilize emerging technologies to take advantage of the opportunities in the fast changing marketplace."

Thomas J. Bourke
President and Chief Executive Officer
Tele-Direct

STRENGTH

PEOPLE

TECHNOLOGY

IT IS OUR PEOPLE, EMPLOYING THE KNOWLEDGE THEY HAVE OF THEIR CUSTOMERS AND THE TECHNOLOGY AT THEIR DISPOSAL, WHO CREATE THE COMMUNICATIONS SOLUTIONS THAT DRIVE OUR SUCCESS. IN THE FOLLOWING PAGES YOU'LL SEE EXAMPLES OF HOW BCE COMPANIES ARE MEETING CUSTOMERS' NEEDS THROUGH A UNIQUE BLEND OF EXPERTISE, INGENUITY AND DEDICATION.

SOLUTIONS

Bell Answers the Call in Gravel River

"Calling my daughter cost me $80 last month," says Dave Speer. "With Bell's new system, it'll cost $16."

Dave Speer

Linda Radbourne

Linda Assad

Gravel River, Ontario, is not, as the saying goes, at the centre of the universe. Unless of course, like Linda Radbourne, you live in the village that's tucked away on the north shore of Lake Superior.

And her particular universe is a lot more easy to contact by telephone these days thanks to a savvy father, Bell Canada's presence on the Internet and its Sympatico service. Previously, because of Radbourne's remote location, her analog radio-based telephone service could only be accessed through operator assistance, was more costly than regular telephone service and was sometimes unreliable. Enter the enterprising father.

Dad's call gets answered

Dave Speer, who lives in Rossport, Ontario, is an avid Internet surfer via Bell's Sympatico service.

"I thought there's got to be a better way," Speer recalls. He found a better way one night, by visiting Bell's web page and sending an e-mail message about his daughter's situation. The next morning, Jana Bishop got the message. Part of Bell's Ottawa-based web page team, it's Bishop's job to re-direct e-mail throughout the company. It ended on the desk of Linda Assad, customer service manager for northwestern Ontario. Thanks to Assad's investigative work and problem-solving determination, a solution was found: the installation of a new system out of a digital central office.

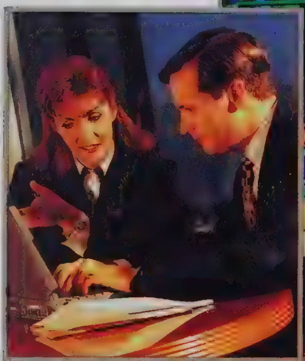
"I couldn't believe how quickly Bell came back," Speer recalls. "They brought out antennas and rectifiers and radios, and in less than a day it was up and running. Calling my daughter cost me $80 last month. With the new system, it'll cost me $16."

Rural modernization

Bell Canada's Rural Modernization Program will soon be bringing similar success stories across Ontario and Quebec. Approved by the CRTC on November 27, it calls for installing modern digital switching for almost one million customers throughout 1997 and 1998.

Bell's National Approach Wins CN Business

"Bell's service was important to us," says CN's Fahmy. "...Feeling that you're dealing with a national organization that will support you."



Louise P. Dominique
Pierre-André Jean

Sameh Fahmy

Canadian National, a vast network of track and rolling stock forming a single, cohesive unit, has long been a centrepiece of commercial transportation in Canada, an enduring national icon.

So it's understandable that when CN cast an eye to another of its networks – its national telecommunications system that was not functioning on a fully integrated basis – that it wanted to apply a similar national approach.

CN sought a solution, looking for national harmonization and greater efficiency. It wanted seamless service, along with a window into the next generation of technologies. CN asked Bell Canada, among others, for a proposal.

Answering CN's call fell to the Bell sales team, headed by Pierre-André Jean and Louise P. Dominique in Montreal, that is dedicated to the CN account.

"They (the Bell team) were under extreme pressure," recalls Sameh Fahmy, CN's director, computing and telecommunications infrastructure. "Competition was ferocious. But Bell and Nortel reacted very well together."

National scope

"Nortel was absolutely key to the bid's success," says Dominique. "They provided us with solid sales support and gave us insights into many technical issues. Also, cooperation with the Alberta, Manitoba and British Columbia members of the Stentor Alliance strengthened our bid and added a significant measure of confidence for CN."

As Fahmy confirms, it became a partnership rather than a technology issue: "Once we chose Bell, we then had to find the most advantageous deal for both of us." That turned out to be a unique service and equipment contract tailored to CN's national needs. The equipment – a series of private branch exchange systems manufactured by Nortel – is dedicated to CN but managed and maintained by Bell.

Because of the innovative financing approach Bell designed for the deal, there was no capital outlay for CN. Fahmy comments: "Every time I tell my financial people that I'm saving a certain amount annually over seven years, they ask how much we're going to invest up front. I say nothing, and they are even more impressed with the deal."

"The long-term relationship we were able to build with CN exemplifies the way the 'New Bell' does business," concludes Jean. "We were able to win the business because we had the support of every department in Bell and formed a company-wide team."

Nortel's technology and know-how were key factors in rolling out North America's fifth-largest long distance network on time and on budget.

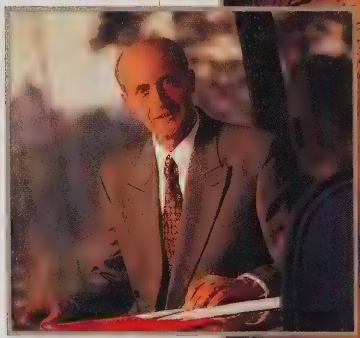
For Rafael Garcia-Lamarca and the countless other Nortel employees who took up the challenge to provide the turnkey network solution, it was a year of frantic activity and unbridled success.

"This project had a great deal of uncertainty attached to it," recalls Richard Perez, Avantel's Director of Engineering. "But Nortel's dedication meant that we met the original deadline with the seamless network we had promised our customers in Mexico and the United States."

That promise was made in mid-1995, when Nortel proposed to Avantel, co-owned by MCI and Banamex, a leading Mexican financial group, an ambitious orchestration of technologies that would ultimately mesh into a complete turnkey network.

Avantel accepted Nortel's approach. And virtually overnight, the company's skills and knowledge were mobilized to meet the aggressive schedule.

Rafael Garcia-Lamarca



Richard Perez

It's a challenge that in retrospect seems impossible. Put forth by Avantel, Mexico's alternative long distance supplier, the challenge was: "Build us a network... 3,400 miles of fibre optic cable, three switching centres and two network management centres. The day it goes into service it needs to be able to serve 70 per cent of the country's 94 million people. And, oh yes, did we mention we need it all in less than a year?"

Ingenuity pays off

According to Perez, it took "imaginative approaches to overcome the logistical and design challenges." For example, how to bring Nortel's experts in Canada, the United States, Northern Ireland and England together with key people in Mexico and with MCI engineers in Texas? Solution: use sophisticated internal communications to assemble "virtual teams".

How to ease the logistics of laying cable and constructing buildings at 50 different locations in so short a time? Solution: assemble prefabricated modules in Texas, stock them with all essential equipment, and ship them as they're needed.

How to iron out system problems when there's no time for a dry run? Solution: build a "mini-Avantel network" in MCI's labs to catch bugs and refine the system before going live.

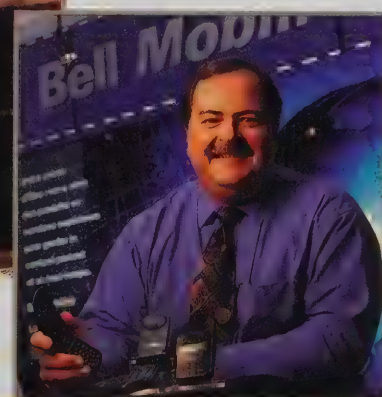
"In the end, the people, ideas and technologies meshed together perfectly to create the Avantel network," says Garcia-Lamarca. "And it solidified Nortel's reputation for dependability and know-how in a market expected to grow to $7 billion by the year 2000."

Bell Mobility and Groupe Urgence Sinistre to the Rescue

Groupe Urgence Sinistre teams have been known to lend their pagers and cell phones to the civil authorities when communication resources are stretched to the limit and time is critical.

Marc De Celles

Louise Larochelle



Richard Gauthier

"Disasters don't make appointments," says Louise Larochelle, vice-president of Groupe Urgence Sinistre, G.U.S.™. "So when we're called upon to help clean up after a disaster does happen, we have to react quickly and efficiently. That means being in constant communication."

Based in Saint-Romuald, Quebec, the company is in the business of cleaning and restoring homes, offices and industrial plants following disasters such as the flooding in the Saguenay region of Quebec in the summer of 1996. When Larochelle and co-founder Doris Landry started Groupe Urgence Sinistre in 1991, they knew mobile communication would be essential to operations. So they turned to Bell Mobility.

"You need the coverage and reliability of a company like Bell Mobility," says Larochelle, "to make sure you can deliver your service anywhere and anytime it's needed. In five years, we've gone from zero to 230 cell phones and 100 pagers."

Communication equals speed

Disasters almost always mean that critical services, such as traditional telephones, are disabled. "Staying in touch means staying in business," says Larochelle. "We need to be able to contact our teams wherever they are and get them on site right away. We also rely on our communications systems to co-ordinate personnel and equipment so that people can return to their homes or restart their businesses as soon as possible."

Speed is equally critical to the insurance companies that call upon the expertise of Larochelle's 52 partners. The faster premises are cleaned and restored, the sooner clients can return.

Larochelle relies on the support of Richard Gauthier of CELLUBOUTIQUE (the local Bell Mobility dealer) and Marc De Celles, Mobility's regional sales manager. "Our partnership with Bell Mobility has continued to develop," she says, "we're able to incorporate the latest technologies and select the most appropriate mix of Bell Mobility products and services."

In a business where the unpredictable is the norm, the highly predictable reliability of Bell Mobility services is a comforting factor for the employees of Groupe Urgence Sinistre.

BCI Making Major Inroads in China

BCI leverages the capabilities of the BCE family on wireless venture in the Yantai region.

"Yantai Bell is a great example of how the whole family can work together," says Felix Li, General Manager of Yantai Bell, a Bell Canada International (BCI) joint venture in China. Li is referring to the team effort put forth by Yantai and other BCE companies in helping build a cellular telephone system for the Yantai region from the ground up.

Yantai Bell was formed to help plan, finance, build and manage the new system, which is operated by China Unicom, the country's second national carrier. According to Li, Yantai Bell was able to rely upon Nortel's expertise in switching and research and development to help overcome design challenges; and on Bell Mobility for network analysis specialists.

Says John Cheh, BCI's vice-president for investments in Asia: "The situation allowed BCI to leverage the entire capabilities of the BCE family while leaving us to concentrate on what we do best – developing the relationships, nurturing the investments and enhancing shareholder value."

John Cheh

Daili Yao

Felix Li, Douglas McCrady

Making a name in China

According to Cheh, the project's success raised BCI's profile in China and yielded valuable experience – especially as Yantai Bell faced tremendous obstacles. Yantai occupies an area roughly the size of southwestern Ontario with a population of nearly seven million. It took persistence and ingenuity to cover the rough terrain and negotiate sites for the network's base stations.

As a telecommunications market, China is an exciting place to be. Demand for services is exploding at a rate of 15 million lines annually and cellular phone use is predicted to grow from zero to 25 million customers in 10 years.

"That growth," says Douglas McCrady, Yantai's assistant general manager, "is being driven by entrepreneurs like Mrs. Daili Yao. Our cellular service is helping her build a thriving taxi company here in Yantai."

Yantai Bell is the first of two projects that BCI is undertaking in China's Shandong province. Three additional cities comprise the second phase, forming a combined market of 25 million in the second-most prosperous province in China.

"EIGHTY-FIVE PER CENT OF OUR REFERRALS ARE THROUGH THE YELLOW PAGES DIRECTORIES," SAYS HERB SINGER, PRESIDENT OF DISCOUNT CAR AND TRUCK RENTAL.

JOHN MACDONALD

HERB SINGER

What are the two essentials for starting a car rental business? Cars, of course. And, according to Herb Singer, founder and president of Discount Car and Truck Rental in Toronto, Yellow Pages directory advertising is number two.

"You can't survive without breathing air, right?" says the Siberia-born entrepreneur. "Well you can't survive in this business without the Yellow Pages directories."

Singer should know. Discount has not only survived, it's grown and prospered in spectacular fashion. After 16 years working for someone else in the car rental business, Singer launched his own company in 1980, and guided it through the recession of 1982. Today, Discount has some 192 franchises. And as Discount has grown, so has its relationship with Tele-Direct, which publishes Yellow Pages directories in Ontario, Quebec and Atlantic Canada.

"We're an integral part of Discount," says John D. MacDonald, national accounts manager at Tele-Direct. "And the relationship seems to grow stronger every year."

And no wonder. According to Singer, 85 per cent of Discount's referrals are through the Yellow Pages directories. That makes him a true believer – and an innovator in what works.

TARGETING SPECIAL MARKETS

"Herb is interested in new ideas, in solutions to his business challenges," MacDonald says. "For example, he bought full-page color advertisements on the inside front cover of our directories." Singer was also quick to recognize the value of ethnic marketing, inserting a full page ad in the Toronto area Chinese Yellow Pages, published by Tele-Direct in partnership with Ming Pao Daily News.

DISCOUNT ON THE NET

Not surprisingly, Discount was among the first advertisers for a new Internet directory, a joint project by Canada's Yellow Pages directory publishers. Slated for a spring 1997 launch, the bilingual directory (www.canadayellowpages.com) will enable customers to locate businesses by region, category or name. Those businesses with an Internet ad from Tele-Direct will have a special icon beside their name. The customer will merely click on the icon to view the ad. Businesses who have a web site – like Discount – will have a link to their web site or their e-mail.

It's one more way Tele-Direct – and valued customers such as Discount Car and Truck Rental – will remain in the driver's seat while exploring new ways of getting the message out to consumers.

Management's Report

The accompanying consolidated financial statements of BCE Inc. and its subsidiaries (collectively BCE), and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgements of management, and in their opinion present fairly BCE's financial position, results of operations and changes in financial position. Financial information presented elsewhere in the annual report is consistent with that in the financial statements.

Management of BCE, in furtherance of the integrity and objectivity of the financial statements, has developed and maintains a system of internal controls and supports an extensive program of internal audits. Management believes the internal controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of financial statements and that BCE's assets are properly accounted for and safeguarded. The internal control process includes management's communication to employees of policies which govern ethical business conduct.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its Audit Committee, consisting solely of outside and unrelated directors. The Audit Committee reviews the Corporation's annual consolidated financial statements and other information in the annual report, and recommends their approval by the Board of Directors. Additional responsibilities of the Audit Committee are outlined on page 61 of this annual report. The internal and the shareholders' auditors have free and independent access to the Audit Committee.

These financial statements have been audited by the shareholders' auditors, Deloitte & Touche, Chartered Accountants, and their report is presented below.

Chairman and Chief Executive Officer	R. W. Osborne President	David Pappato Vice-President and Comptroller

February 26, 1997

Auditors' Report

To the Shareholders of BCE Inc.

We have audited the consolidated balance sheet of BCE Inc. and its subsidiaries as at December 31, 1996 and 1995, and the consolidated statements of operations, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1996 as they appear on pages 35 to 57. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1996 and 1995, and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1996, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants

Montreal, Quebec
February 26, 1997

Management's Discussion and Analysis (MD&A) of 1996's financial results focuses on the principal operating groups of BCE Inc. and includes a review of the operations and financial situation of each operating group. BCE Inc. and its consolidated subsidiaries are collectively referred to herein as BCE. This MD&A should be read in conjunction with the audited consolidated financial statements contained on pages 35 to 57 of this annual report.

Bell Canada, BCE Mobile Communications Inc. and Northern Telecom Limited (Nortel) publish a more detailed discussion and analysis of their results of operations and financial condition in their annual reports. You may obtain copies of these reports from the corporate communications department of BCE Inc. (see page 63).

RESULTS BY OPERATING GROUP

REVENUES

	($ millions)			% Change	
	1996	1995	1994	**1996 vs. 1995**	1995 vs. 1994
Canadian Telecommunications					
Bell Canada (excluding directory operations)	**8,223**	7,710	7,591	**6.7**	1.6
BCE Mobile	**926**	781	636	**18.6**	22.8
Other Canadian Telecom	**702**	683	641	**2.8**	6.6
	9,851	9,174	8,868	**7.4**	3.5
Nortel	**17,511**	14,626	12,137	**19.7**	20.5
Bell Canada International	**221**	223	138	**(0.9)**	61.6
Directories	**556**	570	518	**(2.5)**	10.0
Corporate	**28**	31	9	**(9.7)**	n.m.
	28,167	24,624	21,670	**14.4**	13.6

CONTRIBUTION TO NET EARNINGS APPLICABLE TO COMMON SHARES

	($ millions, except per share amounts)			% Change	
	1996	1995	1994	**1996 vs. 1995**	1995 vs. 1994
Canadian Telecommunications					
Bell Canada (excluding directory operations)	**663**	452	672	**46.7**	(32.7)
BCE Mobile	**40**	32	23	**25.0**	39.1
Other Canadian Telecom	**74**	90	114	**(17.8)**	(21.1)
	777	574	809	**35.4**	(29.0)
Nortel	**435**	334	291	**30.2**	14.8
Bell Canada International	**10**	(66)	162	**n.m.**	n.m.
Directories	**56**	50	45	**12.0**	11.1
Corporate	**(126)**	(110)	(129)	**(14.5)**	14.7
Net earnings	**1,152**	782	1,178	**47.3**	(33.6)
Dividends on preferred shares	**(76)**	(87)	(92)	**12.6**	5.4
Net earnings applicable to common shares	**1,076**	695	1,086	**54.8**	(36.0)
Earnings per common share	**3.40**	2.23	3.52	**52.5**	(36.6)
Excluding one-time items					
– net earnings applicable to common shares	**951**	640	853	**48.6**	(25.0)
– earnings per common share	**3.01**	2.05	2.76	**46.8**	(25.7)

n.m.: not meaningful

BCE's 1996 net earnings increased by $370 million (47%) compared with 1995, reflecting:
- improved operating results at Bell Canada ($211 million);
- strong revenue growth across all major product lines at Nortel ($101 million); and,
- improved results from Bell Canada International ($76 million).

Included in BCE's 1996 net earnings are one-time gains of $169 million, resulting primarily from the sale of investments, offset by provisions and other charges of $44 million. This compares with one-time gains of $55 million in 1995.

Canadian Telecommunications

Overview

BCE's Canadian Telecommunications group includes the following subsidiaries and other controlled entities: Bell Canada, BCE Mobile Communications Inc., NewTel Enterprises Limited, Northern Telephone Limited, Northwestel Inc., Télébec ltée, and TMI Communications and Company Limited Partnership as well as the following associated companies: Bruncor Inc., Maritime Telegraph and Telephone Company, Limited, Teleglobe Inc., Telesat Canada and Expressvu Inc. These entities provide a full range of domestic and international telecommunication services to Canadian customers. Bell Canada accounted for 83% of the group's revenues and 85% of the group's earnings in 1996, compared with 84% and 79%, respectively, in 1995.

Earnings

The contribution of the Canadian Telecommunications group to BCE's net earnings increased by $203 million (35%) in 1996. Bell Canada's contribution increased by $211 million (47%). Bell Canada's results reflect growth in local and access service revenues, the favourable impact of employee-related and other cost reductions resulting from the business transformation program and reduced pension expense, partially offset by higher depreciation and amortization expense. Bell Canada's consolidated rate of return on common equity was 9.8% in 1996 compared with 6.7% in 1995. BCE Mobile's 1996 contribution of $40 million to BCE's net earnings is an increase of $8 million (25%) over 1995 and includes a gain of $33 million on the sale of its interest in Clearnet Communications Inc. offset by a similar amount of provisions and special charges. The contribution of entities comprising Other Canadian Telecom declined in 1996 primarily due to losses at TMI (a mobile satellite communications business), partially offset by improved contributions of certain provincial telecommunications companies.

Revenues

Revenues of the group grew by $677 million (7%) in 1996, compared with growth of $306 million (3%) in 1995. The increase in 1996 was largely attributable to local and access service revenues at Bell Canada as well as higher revenues at BCE Mobile.

Canadian Telecommunications revenues

	($ millions)			% Change	
	1996	1995	1994	**1996 vs. 1995**	1995 vs. 1994
Bell Canada (excluding directory operations)					
Local and access services	**3,928**	3,511	3,267	**11.9**	7.5
Long distance and network services	**3,030**	3,019	3,273	**0.4**	(7.8)
Other	**1,265**	1,180	1,051	**7.2**	12.3
	8,223	7,710	7,591	**6.7**	1.6
BCE Mobile	**926**	781	636	**18.6**	22.8
Other Canadian Telecom	**702**	683	641	**2.8**	6.6
	9,851	9,174	8,868	**7.4**	3.5
Number of network access services* (NAS) – thousands	**10,866**	10,593	10,301	**2.6**	2.8

*Representing, approximately, the number of lines in service.

Bell Canada local and access services

Local and access service revenues increased in 1996 due to the net impact of a local service rate increase, moderate network access services growth as well as continued growth in optional services due to concentrated sales efforts and payments made by users of private line digital services to access local networks.

Revenues from long distance competitors for accessing the switched local network increased in 1996 due to their higher volumes partially offset by lower mandated prices charged to competitors.

Bell Canada long distance and network services

Long distance and network service revenues, which are earned by carrying long distance traffic and by providing network services such as private line and business data services, were essentially flat in 1996 compared with 1995. The 1996 increase in network service revenues resulted from continued growth in digital services and in telemessaging services but was substantially offset by a decrease in long distance service revenues as higher volumes of 1.7% were more than offset by lower average prices of approximately 3%. The 1996 increase in long distance service volumes, as measured in conversation minutes, of 1.7% to 10,101 million from 9,933 million in 1995, came from market growth driven in part by traffic stimulation from prior period price reductions. The number of 1995 conversation minutes has been restated to remove minutes billed on behalf of independent telephone companies and minutes used for internal Bell Canada operations. The previously reported 1995 number was 10,384 million minutes. Bell Canada experiences intensifying competition from a few major competitors. Bell Canada estimates that competitors gained an additional 5% of the volume of the long distance service market in 1996, bringing the company's estimated market share to about 69% at December 31, 1996. This compares with a loss of 6% for 1995 and an estimated market share of about 74% at year-end 1995.

Other Bell Canada revenues

The main revenue streams in this category are from competitive services, including rental, sales and maintenance of terminal equipment, and data processing and systems integration activities. Revenues grew in this category primarily due to increased sales of terminal equipment.

BCE Mobile revenues

Revenues at BCE Mobile grew significantly in 1996. The number of cellular customers rose 31% to 1,044,000 in 1996 (798,000 at December 31, 1995) while the number of paging customers increased 44% to 396,000 (from 275,000 a year earlier). The growth in paging customers includes 48,000 subscribers gained from acquisitions. Excluding these acquisitions, the number of paging customers grew by 27%. Revenues were also affected by decreases of 11% and 15% in revenue per average cellular subscriber and revenue per average paging subscriber, respectively.

Canadian Telecommunications operating expenses

	($ millions)			% Change	
	1996	1995	1994	1996 vs. 1995	1995 vs. 1994
Bell Canada (excluding directory operations)					
Depreciation and amortization	**2,237**	1,937	1,936	**15.5**	–
Operating expenses	**4,024**	4,074	3,698	**(1.2)**	10.2
	6,261	6,011	5,634	**4.2**	6.7
BCE Mobile	**865**	663	534	**30.5**	24.2
Other Canadian Telecom	**577**	521	465	**10.7**	12.0
	7,703	7,195	6,633	**7.1**	8.5

Bell Canada depreciation and amortization

Depreciation expense at Bell Canada of $2,105 million in 1996 compares with $1,891 million in 1995. The 11.3% increase is primarily due to revised depreciation rates for switching equipment, transmission equipment and outside plant. The shortening of depreciable lives is generally consistent with the trend prevailing in the Canadian telecommunications industry. Amortization of business transformation and workforce reduction costs was $132 million in 1996, an $86 million increase over the previous year.

Bell Canada operating expenses

Bell Canada's operating expenses (excluding depreciation and amortization) decreased by $50 million in 1996. The business transformation and workforce reduction programs have enabled Bell Canada to partially offset the impact of expense increases that would normally be generated by volume increases. These costs, coupled with increased sales and marketing support, have been offset by the process improvement projects being implemented as part of the business transformation program and reduced pension expense. The reduced pension expense in 1996 reflects the 1995 experience gains, a change in estimates related to the amortization of experience gains and the workforce reduction program currently in progress.

Bell Canada consolidated – salaries and wages

	($ millions)			% Change	
	1996	1995	1994	**1996 vs. 1995**	1995 vs. 1994
Telecommunications operations	**1,682**	1,762	1,730	**(4.5)**	1.8
Other operations	**369**	333	295	**10.8**	12.9
Salaries and wages expense	**2,051**	2,095	2,025	**(2.1)**	3.5
Capital and process improvement projects	**314**	342	335	**(8.2)**	2.1
Total salaries and wages	**2,365**	2,437	2,360	**(3.0)**	3.3

Bell Canada consolidated – number of employees as at December 31

	Number of employees			Change	
	1996	1995	1994	**1996 vs. 1995**	1995 vs. 1994
Telecommunications operations	**38,859**	42,201	45,906	**(3,342)**	(3,705)
Other operations	**6,036**	6,132	5,597	**(96)**	535
	44,895	48,333	51,503	**(3,438)**	(3,170)

Salary and wage expense and numbers of employees declined in 1996 as a direct result of the business transformation and other workforce reduction programs. The implementation of the business transformation program is intended to reduce substantially Bell Canada's cost structure while finding better and faster ways to serve customers. Bell Canada is beginning to realize benefits from its aggressive business transformation program, however, to achieve the full impact of the plan, many of the benefits require substantial process improvements and significant changes to many of its operating and information systems. Bell Canada has experienced delays from its original program, resulting in higher-than-expected operating expenses in 1996 and delaying realization of the full impact of the plan beyond management's initial expectations of completion which was the end of 1997 (see the section on the Bell Canada Transition Plan on page 34).

As the required processes, systems and equipment are put in place, a net workforce reduction of an estimated 10,000 employees, principally in telecommunications operations, is expected between the end of 1994 and the end of 1997. This will reduce the total workforce to approximately 41,500. At December 31, 1996, the number of employees had been reduced by approximately 6,600. A variety of voluntary incentive measures and career transition aids were presented to employees to facilitate these extensive workforce reductions. At December 31, 1996, some 5,100 departures for 1997 had been approved.

The decrease of 3% in total salaries and wages (which excludes any payments made under workforce reduction programs) in 1996 is less than the 7.1% reduction in the number of employees due to:

- increased overtime payments;
- wage increases;
- higher employee incentive plan payouts for 1996;
- lump-sum payments granted primarily to represented employees under the terms of negotiated labour agreements; and,
- the fact that the majority of the workforce reductions occurred in the second half of 1996.

BCE Mobile operating expenses

Operating expenses at BCE Mobile, excluding special charges, grew by $131 million (20%) to $794 million in 1996, due to increases in:

- selling and administrative costs ($74 million);
- cost of revenues, which relate mainly to the operations of the cellular and paging networks ($34 million); and,
- depreciation and amortization ($23 million).

The increases in selling and administrative costs and cost of revenues reflect growth in the subscriber base and higher selling expenses incurred to stimulate cellular customer growth. The increase in depreciation and amortization expense mainly reflects the impact of a higher level of fixed assets and provisions for accelerated depreciation relating to BCE Mobile's plan to adopt CDMA as its digital technology platform.

In addition, BCE Mobile recorded a special charge of $23 million in 1996 relating to the cost of providing handsets to existing TDMA digital cellular customers in order to facilitate their migration to CDMA digital technology, as well as a special charge of $48 million for the write-off of the unamortized balance of hardware costs associated with certain customer contracts. In the future, these hardware costs will be expensed as they are incurred.

Nortel

Overview
Nortel is a leading global supplier of telecommunications equipment products, the only business segment in which it operates. The telecommunications equipment business consists of the research and the design, development, manufacture, marketing, sale, financing, installation, servicing and support of switching networks, enterprise networks, wireless networks, broadband networks and other products and services. While Nortel reports its results in U.S. dollars, all amounts presented here are in Canadian dollars, except where otherwise noted.

Earnings
The increase in Nortel's contribution to BCE's 1996 net earnings of $101 million reflects improved operating earnings, partially offset by lower investment and other income – net and increased interest expense.

Revenues
Revenues increased 19.7% in 1996, primarily as a result of a net volume increase of approximately 21%, partially offset by price reductions of about 1%.

Nortel – Product line revenues

	($ millions)			% Change	
	1996	1995	1994	**1996 vs. 1995**	1995 vs. 1994
Switching networks	**6,191**	5,799	5,378	**6.8**	7.8
Enterprise networks	**5,268**	4,447	3,371	**18.5**	31.9
Wireless networks	**3,390**	2,130	1,221	**59.2**	74.4
Broadband networks	**2,054**	1,525	1,276	**34.7**	19.5
Other	**608**	725	891	**(16.1)**	(18.6)
	17,511	14,626	12,137	**19.7**	20.5

Product line revenues
Revenues were up substantially in 1996 as a result of higher revenues in all major product lines: however, other revenues, which comprise miscellaneous other products, interest income of the finance subsidiaries, and research and development performed on behalf of customers, declined significantly due primarily to the disposition of the structured wiring and copper wire and cable business, effective February 1996. As well, software sales decreased in 1996 compared with 1995.

The increase in switching networks revenues in 1996 was due to significantly higher sales in the U.S., Asia Pacific and Canada, partially offset by substantially lower sales in the Caribbean and Latin America (CALA) and significantly lower sales in Europe. North American switching revenues continue to be impacted by the shift in capital spending by certain customers away from switching networks to emerging products such as wireless networks, enterprise networks and broadband networks. At the same time, growth of Internet-driven infrastructure and second lines to the home as well as increased competition among telecommunications operators following the passage of the United States Telecommunications Act of 1996, is leading to higher demand for switching networks products.

The 1996 increase in enterprise networks revenues was due to substantially stronger sales in the U.S. and CALA, and significantly higher sales in Europe, Canada and Asia Pacific.

Wireless networks revenues increased in 1996 due to substantially higher sales in the U.S., Europe and Canada and significantly higher sales in Asia Pacific, partially offset by slightly lower sales in CALA.

The increase in broadband networks revenues in 1996 was a result of substantial increases in the U.S. and CALA, significant increases in Europe and improved sales in Asia Pacific. Broadband networks revenues in Canada were essentially flat compared with 1995.

Nortel – Geographic revenues

	($ millions)			% Change	
	1996	1995	1994	**1996 vs. 1995**	1995 vs. 1994
United States	**9,347**	7,327	6,638	**27.6**	10.4
Europe	**4,129**	3,548	2,160	**16.4**	64.3
Canada	**1,680**	1,561	1,563	**7.6**	(0.1)
Other international markets	**2,355**	2,190	1,776	**7.5**	23.3
	17,511	14,626	12,137	**19.7**	20.5

Geographic revenues

Revenues (based on the location of the customer rather than the location of the selling organization) increased in all markets in 1996.

Revenues in the U.S. increased 27.6% in 1996 primarily due to substantially higher sales to wireless operators and inter-exchange carriers, significantly higher sales to regional holding companies, substantially higher sales to distributors and higher sales to independent telecommunications companies.

The United States Telecommunications Act of 1996 which became law on February 8, 1996, has, as its principal objective, to stimulate competition in all segments of the telecommunications industry in the U.S. Nortel expects the Act to have a positive impact on telecommunications equipment suppliers generally. In addition to allowing existing industry participants to enter new businesses, the Act should also result in new market entrants providing telecommunications services and an expanded market for telecommunications equipment. The United States Federal Communications Commission (FCC) is in the process of implementing the Act. Due to pending litigation challenging various aspects of the Act and the FCC rules designed to implement the Act, it is difficult to assess with any precision the impact of the Act on Nortel's overall operations.

Revenues in Europe (including Africa, the Commonwealth of Independent States and the Middle East) rose 16.4% due to substantially increased sales in wireless networks and significantly increased sales in enterprise networks, partially offset by significantly decreased sales in switching networks. Other revenues in Europe increased substantially while broadband networks revenues increased significantly.

Revenues in Canada rose 7.6% in 1996 as a result of increased sales to Bell Canada and other BCE subsidiary and associated companies and to other Canadian customers.

Revenues in other international markets, comprising the Asia Pacific and CALA markets, increased 7.5% in 1996. Revenues in Asia Pacific in 1996 rose due to significant increases in sales of switching networks, enterprise networks and wireless networks. Revenues in CALA were essentially flat from 1995, primarily due to substantially decreased sales in switching networks, offset by substantially increased sales in broadband networks and enterprise networks and a decline in wireless networks revenue and other revenue.

Gross margin

Gross margin in 1996 was 40.0% of revenues compared with 40.2% in 1995. Improved gross margins in broadband networks and other products were offset by reduced margins in wireless networks, enterprise networks and switching networks.

Although competitive pricing pressure continues to exist, Nortel has been able to offset this pressure through the sale of higher margin products and operating efficiencies. Gross margin is affected by the level of software sales. Gross margin is being negatively affected by:

- the introduction of new products and continued expansion into new markets, particularly in wireless networks;
- provisions relating to the sale of products and services where such sales are financed by Nortel, particularly in the emerging North American personal communication services (PCS) market and international markets; and,
- the increased inclusion of products manufactured by other suppliers in network solutions offered by Nortel.

Operating expenses

Selling, general and administrative (SG&A) expense increased by 13.4% to $2,993 million in 1996. But, as a percentage of total revenues, SG&A expense decreased from 18.0% in 1995 to 17.1% in 1996. This was the result of successful cost containment efforts and the continued benefits being realized from Nortel's restructuring program which was completed in 1996. The absolute dollar increase in SG&A expense was planned and reflects continuing investment in Nortel's growing international markets in the enterprise, wireless and broadband networks businesses.

Nortel's research and development (R&D) expense in 1996 was $2,471 million, up 14.1% from $2,165 million in 1995. As a percentage of revenues, R&D expense declined from 14.8% in 1995 to 14.1% in 1996. The level of investment reflects ongoing programs across all network businesses for new products, process development, advanced capabilities and services for a broad array of applications. R&D investment increased in 1996 in all product lines, except switching networks, with the largest increases in wireless networks and enterprise networks.

Investment and other income – net

Investment and other income – net, including equity in net earnings of associated companies, was $56 million in 1996 compared with $158 million in 1995. The decrease was primarily a result of substantially higher foreign exchange losses, substantially lower interest income earned in 1996 due to lower average cash balances and lower equity earnings of associated companies, partially offset by a gain on the reduction of Nortel's ownership interest in its subsidiary, Entrust Technologies Inc., following the issuance of Entrust shares.

Nortel continues to expand its business globally and, as such, an increasing proportion of its business will be derived from countries outside of the U.S. and Canada. As a result, fluctuations in foreign currencies may have an impact on Nortel's business and financial results. Nortel endeavours to minimize this impact through its ongoing commercial practices and by attempting to hedge its currency exposures. In attempting to manage this foreign exchange risk, Nortel identifies operations and transactions that may have foreign exchange exposure, based upon, among other factors, the excess or deficiency of foreign currency receipts over foreign currency expenditures in each of Nortel's significant foreign currencies. Nortel's significant currency flows in 1996 and 1995 were in U.S. dollars, Canadian dollars, U.K. pounds and French francs. In 1996, the net impact of foreign exchange fluctuations was a loss of $59 million, primarily due to the strengthening of the U.K. pound relative to the United States dollar. There was an insignificant net impact in 1995.

Order backlog

The order backlog at December 31, 1996 was $8.25 billion, up 25% from the $6.6 billion of orders on hand at the end of 1995. The 1996 increase was due to substantial increases in wireless networks. The majority of the backlog is scheduled for delivery within 12 months.

Litigation and environmental matters

See Note 13 to the consolidated financial statements on page 55 of this annual report.

Bell Canada International (BCI)

Overview

BCI is active in three business segments of the telecommunications industry outside of Canada: wireline and other, cable/phone and wireless. At the end of 1996, BCI had investments in the U.K., the U.S., South America and Asia.

Earnings

BCI recorded net earnings of $10 million in 1996 compared with a loss of $66 million in 1995. Earnings in 1996 include a $50 million gain resulting from the sale of BCI's interest in CLEAR Communications Limited, New Zealand, and a $56 million gain on the reduction of BCI's interest in Bell Cablemedia plc (BCM) in the U.K. resulting from the issuance of US $338 million of BCM treasury shares to Cable & Wireless plc to fund, in part, the acquisition of Videotron Holdings plc. Earnings in 1995 included a one-time gain of $14 million.

Earnings in the wireline and other segment in 1996 primarily reflect improved operating results at Mercury Communications Limited in the U.K.

The loss in the cable/phone segment primarily reflect higher losses at BCM associated with higher financing costs and continued network construction. Excluding Videotron, there was a 38.8% increase in the number of homes with cable and telephony access in 1996. In addition, higher losses at Jones Intercable in the U.S., related to higher depreciation and financing costs associated with the recent acquisition of cable television systems, affected this segment's results.

In Colombia, the subscriber base of Comunicación Celular S.A. (Comcel) more than doubled in 1996, leading to lower losses in the wireless segment.

Corporate results include preferred dividends to BCE Inc., administrative expenses and income taxes. The increased loss in 1996 is mainly due to the impact of a reduction in tax benefits following the proposed combination of Mercury, BCM and NYNEX CableComms (see Liquidity and Capital Resources section on page 32).

BCI EARNINGS

($ millions)

	1996	1995	1994
Wireline and other	**80**	64	68
Cable/phone	**(128)**	(83)	(36)
Wireless	**(12)**	(33)	(24)
Corporate	**(36)**	(28)	3
	(96)	(80)	11
One-time items	**106**	14	151
	10	(66)	162

Directories

Overview

The Directories group publishes alphabetical pages, Yellow Pages and other directories in Canada, the U.S., Hong Kong, Australia, the Caribbean and the Middle East.

Earnings

Earnings in 1996 increased by 12% to $56 million reflecting improved results in international and domestic operations. The group's business in India, which incurred operating losses of $9 million in each of 1996 and 1995, was discontinued in the first half of the year.

Corporate

Overview

BCE Inc. is a strategic management company whose major activities include strategy development, human resources management, capital allocation, goal setting and performance monitoring.

Results

Corporate expenses of $126 million include interest expenses, administrative expenses, gains and losses on sales of corporate investments and related income taxes. Excluding one-time items, 1996 corporate expenses improved by $13 million compared with 1995 primarily due to reduced interest expense. During 1996, a $23 million gain on the sale of shares of The Bank of Nova Scotia and provisions of $11 million were recorded compared with one-time gains of $41 million in 1995 from the disposition of portfolio investments.

LIQUIDITY AND CAPITAL RESOURCES

BCE CONSOLIDATED (see page 37 of the consolidated financial statements)
BCE's consolidated operating cash flow increased by $883 million (23%) in 1996 to $4.7 billion, mainly reflecting improved net earnings and higher depreciation and amortization expense. Cash flow from operations increased by approximately $2 billion (87%), primarily as a result of lower working capital requirements. Cash used for investments and dividends were essentially flat. As a result, free cash flow improved by $2,056 million.

At December 31, 1996, unused bank lines of credit available to BCE, generally at the prime bank rate of interest, amounted to $4.9 billion.

BELL CANADA
The principal components of Bell Canada's consolidated cash flows (including directory operations) include:

	1996	($ millions) 1995
Net earnings before preferred dividends	**754**	543
Depreciation, amortization and other non-cash operating items	**2,003**	1,892
Operating cash flow	**2,757**	2,435
Changes in working capital and other items	**107**	158
Business transformation and other workforce reduction costs (net of deferred income taxes thereon)	**(287)**	(269)
Cash flow from operations	**2,577**	2,324
Capital expenditures, net	**(1,621)**	(1,500)
Dividends	**(861)**	(862)
Other investing activities	**109**	(6)
Free cash flow	**204**	(44)
Financing provided (reduced) by:		
Repayment of long-term debt	**(733)**	(416)
Proceeds from issue of long-term debt	**441**	716
Redemption of retractable preferred shares	**(156)**	(130)
Increase (decrease) in notes payable and bank advances	**144**	(169)
Decrease in cash on hand	**101**	36
Issue of perpetual preferred shares	**–**	20
Other financing activities	**(1)**	(13)
	(204)	44

Operating cash flow increased by $322 million in 1996 when compared with 1995 due to higher earnings and depreciation and amortization. Cash flow from operations increased by $253 million due to the impact of working capital requirements partially offset by increased business transformation and workforce reduction costs. In addition, free cash flow increased by $248 million primarily due to net proceeds of $91 million from a transaction relating to the outsourcing of the managed services operations of Bell Canada's subsidiary, Bell Sygma Inc., to IBM, partially offset by higher net capital expenditures. Net capital expenditures are expected to increase again in 1997.

Bell Canada's external financing requirements in 1996 totalled $685 million, representing:
- repayment of $301 million of long-term debt which matured;
- redemption, prior to maturity, of $432 million of long-term debt;
- redemption of $156 million of preferred shares; offset by the
- contribution of $204 million of free cash flow.

In 1996, funds from external sources were obtained through the public issue of $275 million of subordinated debentures in Canada, $150 million of debentures in Europe and the issuance of commercial paper. Bell Canada's commercial paper program is supported by lines of credit, extended by several banks, totalling some $800 million.

In 1997, approximately $196 million of Bell Canada's long-term debt and other long-term liabilities will mature. In addition, Bell Canada may take advantage of prevailing lower interest rates by refinancing existing long-term debt prior to maturity. Bell Canada expects to meet its cash requirements in 1997, including the financing of capital expenditures and early redemptions, primarily through internally generated funds with the balance to be met by the issuance of debt.

NORTEL

The principal components of Nortel's consolidated cash flows include:

	1996	($ millions) 1995
Net earnings before preferred dividends	**850**	644
Depreciation, amortization and other non-cash operating items	**567**	498
Operating cash flow	**1,417**	1,142
Changes in working capital and other items	**(131)**	(1,488)
Cash flow from (used for) operations	**1,286**	(346)
Capital expenditures	**(823)**	(790)
Investments	**(269)**	(54)
Divestitures	**155**	5
Common dividends	**(177)**	(147)
Preferred dividends	**(5)**	(6)
Increase in long-term receivables	**(181)**	(45)
Other investing activities	**52**	22
Free cash flow	**38**	(1,361)
Financing provided (reduced) by:		
Increase in net borrowings	**27**	107
Issue of preferred shares	**395**	–
Issue of common shares	**263**	39
(Increase) decrease in cash on hand	**(723)**	1,215
	(38)	1,361

Cash flow from operations of $1,286 million in 1996 represents an improvement of $1,632 million over 1995. Nortel continues to focus on working capital as a key component of cash management. Capital expenditures increased in 1996 and are expected to increase substantially in 1997. Investments increased by $215 million in 1996 primarily as a result of the acquisition of MICOM Communications Corporation in June 1996. Net proceeds from divestitures primarily relate to the disposition of the structured wiring and copper wire and cable business. Free cash flow improved by approximately $1.4 billion.

In June 1996, Northern Telecom Capital Corporation, an indirect wholly-owned finance subsidiary of Nortel, issued US $150 million of 7.40% Notes Due 2006 and US $150 million of 7.875% Notes Due 2026. Approximately US $150 million of the proceeds from these notes was used to replenish cash deposits utilized in the acquisition of MICOM. In November 1996, Nortel issued $400 million Cumulative Redeemable Class A Preferred Shares Series 5 and incurred after-tax issue costs of $5 million. The 16 million Series 5 Shares, priced at $25 each, will, until December 1, 2001, pay an annual fixed cumulative preferential cash dividend of $1.275 per share (5.1%), payable, if declared, quarterly.

Nortel has entered into syndicated credit agreements to permit long-term and short-term borrowings totalling up to US $1.5 billion. The entire amount of these committed facilities remains available. Nortel expects to meet its cash requirements from operations and conventional sources of external financing.

Nortel has initiated a normal course issuer bid to repurchase common shares. This share repurchase program will enable the company to buy back up to 4,000,000 (approximately 1.5%) of its common shares (the Shares) in the period from January 30, 1997 to January 29, 1998. Shares will be bought by the company to offset issuances of new Shares under employee and shareholder plans to maintain the approximate number of Shares outstanding, or when such purchases would represent an appropriate use of corporate funds. No special arrangements will be made with particular shareholders to repurchase their Shares. As of February 26, 1997, 836,900 Shares have been repurchased and canceled by the company.

The competitive environment in which Nortel operates increasingly requires the company and many of its principal competitors to provide significant amounts of long-term customer financing in connection with the sale of products and services, particularly in the emerging North American PCS market and international markets. While Nortel has generally been able to place its customer financing with third party lenders, Nortel anticipates that, due to the increasing amount of financing it expects to provide and the higher risks typically associated with such financings (particularly where provided to start-up operations or to customers in developing countries), the amount of such financings required to be supported directly by Nortel for at least the initial portion of their term will increase significantly in the future. At December 31, 1996, Nortel had entered into certain financing agreements for the future provision of up to about US $2.1 billion of customer financing and had outstanding offers or commitments, subject to fulfilment of certain conditions, to provide up to approximately US $840 million of additional customer financings (not all of which offers or commitments are expected to be taken up). In particular, Nortel has agreed and expects, subject to the fulfilment of certain conditions, to provide up to approximately US $1.3 billion principal amount of financing to Sprint Spectrum L.P., a limited partnership formed by Sprint Corporation, Tele-Communications, Inc., Comcast Corporation and Cox Communications, Inc., in connection with Sprint Spectrum's purchases of PCS products and related services from or through Nortel. Nortel has obtained a related commitment from QUALCOMM Incorporated, to finance certain of the products that are to be sold to Nortel by QUALCOMM for resale to Sprint Spectrum and expects to receive at least US $200 million of such financing from QUALCOMM on terms substantially similar to those offered by Nortel to Sprint Spectrum. On December 10, 1996, Nortel announced that it was syndicating through a group of major financial institutions approximately US $1.1 billion of such financing. The syndication of participation rights and loan assignments is expected to be completed in early 1997. Nortel expects to continue to arrange for third parties to assume customer financing obligations agreed to by Nortel and to fund other customer financings directly supported by Nortel from working capital and conventional sources of external financing in the normal course.

Nortel has entered into supply contracts with customers for products and services, which in some cases involve new technologies currently being developed or which have not yet been commercially deployed by Nortel or require Nortel to build and operate networks on a "turnkey" basis. These supply contracts may contain delivery and installation timetables and performance criteria which, if not met, could result in Nortel paying substantial penalties or liquidated damages, the termination of the related supply contract, and/or lower shared revenues under a turnkey arrangement.

Bell Canada International (BCI)

During 1996, BCI's management fees and dividends from investees (including a dividend of $161 million (£ 75 million) from Mercury) and funds received from the issuance of preferred shares to BCE Inc. exceeded the cash required for its investments and corporate expenses, resulting in a cash balance of approximately $124 million at year-end. Investments totalled $42 million in 1996 and were made primarily in China, Brazil and India. During the year, proceeds on the sale of CLEAR Communications Limited provided the funds to redeem $112 million of preferred shares held by BCE Inc.

As part of its agreement in 1994 to purchase a 31.7% (29.9% on a fully diluted basis) interest in Jones, BCI committed to participate in future equity financing of up to an additional US $141 million in order to finance the growth of Jones. In 1997, BCI expects to continue to fund its operations in India and China in an aggregate amount of up to $150 million.

On October 22, 1996, BCI, Cable & Wireless plc (Cable & Wireless) and NYNEX Corporation announced that they had entered into an agreement to create, subject to certain conditions, a leading provider of integrated telecommunications, information and entertainment services in the U.K. by combining (i) Mercury, (ii) Bell Cablemedia plc (BCM), as enlarged by the acquisition of Videotron Holdings plc and (iii) NYNEX CableComms Group, under one newly-formed holding company to be called Cable & Wireless Communications plc (CWC).

Such proposed combination is to be accomplished through a series of transactions. The first of such transactions, being the acquisition by BCM of a further 55.6% interest in Videotron at a purchase price of approximately US $606.2 million thereby increasing its interest to 81.7%, was completed on December 17, 1996. On January 8, 1997, BCM made an unconditional cash offer to purchase all remaining outstanding Videotron shares not already owned by it or its subsidiaries for US $19.75 net per American Depositary Share (or US $3.95 net per ordinary share) pursuant to an Offer to Purchase which was filed with securities regulators in the U.K. and the U.S. The Offer to Purchase expired on February 21, 1997 and, as of such date, BCM held approximately 99.9% of the issued equity share capital of Videotron. BCM has commenced a compulsory acquisition procedure enabling it to acquire all of the issued equity share capital of Videotron not already owned by it. The acquisition of all the outstanding shares of Videotron is being funded, in part, by the subscription, in December 1996, by a subsidiary of Cable & Wireless for additional shares of BCM for a purchase price of US $338 million, thereby increasing its interest in BCM from 12.8% to 32.5% and decreasing BCI's interest in BCM from 42% to 32.5%, and in part through a credit facility providing for a six-month bridge loan of up to US $425 million with the balance of the funding being met from existing resources.

Another of such transactions, being the purchase by Cable & Wireless of 5.17% of the equity of Mercury from BCI for $335.7 million (£ 150 million), was completed on January 17, 1997, thereby increasing Cable & Wireless' interest in Mercury from 80% to approximately 85.2% and decreasing BCI's interest in Mercury from 20% to approximately 14.8%. BCI realized a net gain of $34 million on this transaction, which will be included in the 1997 first quarter results.

The remainder of such transactions are currently scheduled to take place during the first half of 1997. The completion of such transactions is subject to a number of pre-conditions, including (among other things) receipt of certain shareholder consents, regulatory approvals and tax clearances, many of which are not within BCI's control. Assuming completion of all such transactions, the fully diluted share capital of CWC will be owned 14.2% by BCI, 52.6% by Cable & Wireless, 18.5% by NYNEX Corporation and the remainder by public shareholders. It is intended that arrangements will be made to enable CWC to be listed on the London and New York Stock Exchanges.

CORPORATE

The principal components of BCE Inc. corporate cash flows include:

	1996	($ millions) 1995
Dividends from subsidiary and associated companies	**993**	981
Interest, other corporate expenses and taxes	**(149)**	(170)
Common dividends	**(861)**	(848)
Preferred dividends	**(76)**	(87)
Investments	**(264)**	(81)
Divestitures	**334**	59
Repayment of advances by subsidiaries	**2**	78
Net redemption of preferred shares by a subsidiary	**70**	–
Other	**(21)**	33
Free cash flow	**28**	(35)
Financing provided (reduced) by:		
Decrease in debt	**(437)**	(134)
Redemption of preferred shares	**–**	(618)
Issuance of preferred shares	**197**	590
Common shares issued		
Employee stock savings plan and exercise of options	**117**	99
Dividend reinvestment plan	**100**	98
Purchase of common shares for cancellation	**(5)**	–
	(28)	35

During 1996, BCE Inc. acquired 1,750,000 common shares of Nortel for cash of $150 million. At December 31, 1996, BCE Inc. owned 134,213,623 common shares, representing approximately 51.6% of Nortel's common shares outstanding. From time to time, additional purchases of Nortel common shares may be made in order to allow BCE Inc. to maintain its majority ownership level. Also in 1996, BCE Inc. invested $71 million in TMI, principally to fund the launch of its satellite and its operations, and sold all of its shares of The Bank of Nova Scotia for $334 million.

On October 21, 1996, BCE Inc. issued $200 million of Fixed/Floating Rate Cumulative Redeemable First Preferred Shares, Series S. The 8,000,000 shares issued at $25 each are non-retractable and carry an initial fixed coupon of 5.28% payable quarterly until November 1, 2001. Thereafter, the Series S preferred shares will be entitled to floating adjustable cumulative dividends payable monthly. On November 1, 2001, and on November 1 every five years thereafter, the Series S preferred shareholders can convert their shares into fixed rate Series T preferred shares.

On October 24, 1996, BCE Inc. announced a program to permit it to repurchase up to 5,000,000 outstanding BCE Inc. common shares, or approximately 1.6% of the shares outstanding on September 30, 1996. This normal course issuer bid, which expires on October 29, 1997, is intended to offset the effect of dilution that occurs when additional common shares are issued, either through BCE Inc.'s employee stock option, shareholder dividend reinvestment or stock purchase plans, or other share issues. In 1996, 71,500 common shares were repurchased under the normal course issuer bid for a total of $4.6 million. Up to February 26, 1997, an additional 388,500 common shares were repurchased at a cost of $26 million.

BCE Inc. refinanced $250 million of 8.5% Series 6 Notes at maturity on January 31, 1997, with commercial paper. In August 1997, $300 million of 9% Series 7 Notes come due. The level of new investments by BCE Inc. in 1997 is expected to be comparable to that of 1996. BCE Inc. expects to meet its cash requirements from conventional sources of external financing.

BCE Inc. has committed credit facilities totalling $1,275 million available as back-up for its commercial paper program and general corporate purposes. The entire amount of these facilities remains available for use by BCE Inc.

Bell Canada Transition Plan

In March 1995, Bell Canada adopted a transition plan designed to restore its financial strength over the 1995-97 period. The plan anticipated further deterioration for 1995, to be followed by progressive improvement through 1996 and 1997, with a specific goal of returning to historic levels of financial performance by the end of 1997. Bell Canada's results for both 1995 and 1996 were in line with attainment of the overall objectives of the three-year plan.

As part of the transition plan, a business transformation program was implemented in 1995 with a significant commitment of resources aimed at a redesign of work processes to enable Bell Canada to substantially reduce its cost structure while finding better and faster ways to serve its customers. While Bell Canada has realized significant reductions in its workforce and cost structure in 1995 and 1996, it has experienced delays in the implementation of the systems and processes required to improve productivity as envisioned in its original program, and it is now expected that the business transformation program will be substantially completed by the end of 1998 as opposed to the end of 1997.

For 1997, Bell Canada is currently targeting an increase in net income available to common shareholders to $850 million, an increase in operating cash flow to $3,011 million and a decrease in free cash flow to $150 million, compared with 1996. These figures have been revised from the preliminary targets for 1997 (net income available to common shareholders: $952 million; operating cash flow: $3,515 million; and free cash flow: $476 million) made public in July 1996 as part of a CRTC proceeding. These revisions reflect the above mentioned delays in the business transformation program, the impact of continuing intense competition in the long distance market, and higher than anticipated costs associated with supporting business growth.

During 1997, Bell Canada expects continued revenue growth from the following sources: an additional $2 per month rate rebalancing increase effective January 1, 1997, coupled with growth in local service subscribers; the continued restructuring of residential local rates; benefits from the continued stimulation of optional services; benefits of the new Stentor Settlement Arrangement; and the pursuit of new sources of revenue through the introduction of new services. Bell Canada also intends to continue to contain costs generated by growth in base business, the maintenance of appropriate levels of sales and marketing support, increased depreciation and amortization of business transformation and workforce reduction costs.

Bell Canada remains confident that its current operating plans for 1997 will continue the progress towards its goal of returning to historic levels of financial performance.

Bell Canada's targets for 1997 contained in this Management's Discussion and Analysis as well as in other sections of this annual report are forward-looking statements. Actual results may vary materially from targets due to a variety of factors including: the effects of competition; the timing and success of productivity improvement initiatives implemented through the business transformation program; the outcome of various regulatory proceedings; the ability to develop, introduce and market new telecommunications products and services; the level of expenditures necessary to maintain quality of service; and the demand for Bell Canada services. Taken together and individually, these factors represent significant risks to the meeting of Bell Canada's targets. Bell Canada considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of Bell Canada, may ultimately prove to be incorrect.

Decisions in respect of various regulatory proceedings are expected in 1997 which could have a material impact on the nature of competition and extent of regulation within the service territory of Bell Canada and other regulated entities of the Canadian Telecommunications group. These decisions include decisions on price cap regulation and its related issues and local competition. The financial health of the regulated entities and their ability to invest beyond 1997 are dependent on upcoming regulatory decisions that will determine whether Canada will have an open competitive environment that does not favour competitors at the expense of the telephone companies.

CONSOLIDATED STATEMENT OF OPERATIONS

For the years ended December 31	Notes	1996	1995	($ millions, except per share amounts) 1994
Revenues	(2)	**28,167**	24,624	21,670
Operating expenses		**22,011**	19,434	17,254
Research and development expense		**2,471**	2,134	1,606
Operating profit		**3,685**	3,056	2,810
Other income	(3)	**393**	238	692
Operating earnings		**4,078**	3,294	3,502
Interest expense – long-term debt		**1,160**	1,154	1,019
– other debt		**141**	172	222
Total interest expense		**1,301**	1,326	1,241
Earnings before income taxes and non-controlling interest		**2,777**	1,968	2,261
Income taxes	(4)	**(1,118)**	(819)	(769)
Non-controlling interest		**(507)**	(367)	(314)
Net earnings		**1,152**	782	1,178
Dividends on preferred shares		**(76)**	(87)	(92)
Net earnings applicable to common shares		**1,076**	695	1,086
Earnings per common share		**3.40**	2.23	3.52
Dividends declared per common share		**2.72**	2.72	2.69
Average number of common shares outstanding (millions)		**316.4**	311.5	308.8

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the years ended December 31	Notes	1996	1995	($ millions) 1994
Balance at beginning of year		**2,967**	3,136	2,908
Net earnings		**1,152**	782	1,178
		4,119	3,918	4,086
Deduct:				
Dividends				
Preferred shares		**76**	87	92
Common shares		**861**	848	830
		937	935	922
BCE Inc. common shares purchased for cancellation	(11)	**3**	–	28
Costs related to issuance and redemption of share capital of BCE Inc. and of subsidiaries		**6**	16	–
		946	951	950
Balance at end of year		**3,173**	2,967	3,136

Consolidated Balance Sheet

At December 31	Notes	1996	($ millions) 1995
Assets			
Current assets			
Cash and short-term investments, at cost (approximates market value)		**949**	187
Accounts receivable	(5)	**6,892**	6,071
Inventories	(5)	**2,457**	2,361
Other current assets		**719**	599
Total current assets		**11,017**	9,218
Investments in associated and other companies	(6)	**3,235**	3,470
Capital assets, net	(7)	**22,475**	22,597
Long-term notes and other receivables		**960**	785
Deferred charges	(5)	**2,165**	1,567
Goodwill		**1,409**	1,224
Total assets		**41,261**	38,861
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**7,012**	6,384
Income and other taxes payable		**435**	70
Debt due within one year	(5)	**1,790**	2,084
Total current liabilities		**9,237**	8,538
Long-term debt	(8)	**11,813**	11,924
Deferred income taxes		**2,049**	1,889
Other long-term liabilities		**1,436**	1,409
Total liabilities		**24,535**	23,760
Non-controlling interest		**4,754**	3,812
Preferred shares	(10)	**1,450**	1,250
Common shareholders' equity			
Common shares	(11)	**6,226**	6,011
Contributed surplus		**1,003**	1,003
Retained earnings		**3,173**	2,967
Currency translation adjustment		**120**	58
Total common shareholders' equity		**10,522**	10,039
Commitments and contingent liabilities	(13)		
Total liabilities and shareholders' equity		**41,261**	38,861

On behalf of the Board of Directors:

W. Chippindale

Director

J. Sutherland Wood

Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the years ended December 31	Notes	**1996**	1995	*($ millions)* 1994
Cash provided by (used for) operations				
Net earnings		**1,152**	782	1,178
Items not affecting cash				
Depreciation and amortization		**3,434**	2,970	2,871
Gain on reduction of ownership in subsidiary and associated companies	(3)	**(111)**	(14)	(151)
Non-controlling interest		**507**	367	314
Deferred income taxes		**(70)**	(170)	9
Equity in net earnings of associated companies lower than (in excess of) dividends received		**192**	17	(50)
Other non-cash items		**(367)**	(98)	(152)
Operating cash flow		**4,737**	3,854	4,019
(Increase) decrease in working capital		**(143)**	(1,197)	269
Other items		**(288)**	(353)	(231)
Cash flow from operations		**4,306**	2,304	4,057
Cash provided by (used for) investments				
Capital expenditures		**(3,128)**	(2,804)	(2,811)
Investments		**(370)**	(174)	(1,035)
Long-term notes and other receivables		**(273)**	(64)	73
Divestitures		**804**	86	2,236
Other items		**126**	69	(309)
		(2,841)	(2,887)	(1,846)
Dividends declared				
By BCE Inc.				
Preferred shares		**(76)**	(87)	(92)
Common shares		**(861)**	(848)	(830)
By subsidiaries to non-controlling interest		**(175)**	(185)	(130)
		(1,112)	(1,120)	(1,052)
Free cash flow		**353**	(1,703)	1,159
Cash provided by (used for) financing				
Notes payable and bank advances		**146**	(888)	(279)
Addition to long-term debt		**1,256**	2,187	1,206
Reduction of long-term debt		**(1,726)**	(853)	(972)
Issue of preferred shares		**197**	590	–
Redemption of preferred shares		**–**	(618)	–
Redemption of retractable preferred shares by a subsidiary		**(156)**	(130)	–
Issue of common shares		**217**	197	106
Purchase of common shares for cancellation		**(5)**	–	(53)
Issue of preferred and common shares by subsidiaries to non-controlling interest		**515**	74	90
Other items		**(35)**	(36)	(11)
		409	523	87
Net increase (decrease) in cash and short-term investments		**762**	(1,180)	1,246
Cash and short-term investments at beginning of year		**187**	1,367	121
Cash and short-term investments at end of year		**949**	187	1,367

1. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and all amounts are in Canadian dollars unless otherwise indicated. Certain comparative figures in the consolidated financial statements have been reclassified to conform with the current year presentation.

Most of BCE's telecommunications subsidiary and associated companies are subject to regulation, including examination of their accounting practices, by the Canadian Radio-television and Telecommunications Commission (CRTC). The application of regulatory accounting practices assumes that the rates, which are adequate to recover costs over time, can be charged and collected from customers. The CRTC has determined to fundamentally restructure the manner in which it regulates the telephone companies under its jurisdiction, including Bell Canada. In 1996, the CRTC completed certain proceedings to implement a framework for increased competition and reduced regulation for which CRTC decisions are expected in 1997. Since the outcome of these proceedings and their impact cannot reasonably be determined, the accounting practices being followed by regulated entities continue to reflect those previously approved and reviewed by the CRTC. It is possible however, that events in the regulatory environment could require changes in the accounting practices in the future. These changes in accounting policies could require a reassessment of the appropriateness of the carrying values of assets and liabilities established under existing regulatory accounting practices.

With respect to the financial statements of BCE Inc. (the Corporation) and its consolidated subsidiaries (collectively BCE), the important differences between Canadian and United States GAAP are described and reconciled in Note 14.

Consolidation

The financial statements of entities which are controlled by the Corporation are consolidated; entities which are jointly controlled by the Corporation, referred to as joint ventures, are accounted for using the proportionate consolidation method; associated companies, which the Corporation has the ability to significantly influence, generally representing 20% to 50% ownership, are accounted for using the equity method; investments in other companies are accounted for using the cost method.

Intercompany earnings on the sales of telecommunications equipment from Northern Telecom Limited (Nortel) to the regulated subsidiaries of BCE are deemed to be realized and are not eliminated on consolidation. The sales price on such equipment is recognized for rate-making purposes by the CRTC and other regulators. All other significant intercompany transactions have been eliminated in the consolidated financial statements.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Depreciation and amortization

Depreciation and amortization of capital assets, including software acquired and developed internally, are generally computed using the straight-line method, with rates based on the estimated useful lives of the assets. The rates used by the regulated entities are reviewed and approved by the CRTC as part of the rate setting process.

Research and development (R&D)

R&D costs are charged to earnings in the periods in which they are incurred, except for costs incurred pursuant to specific contracts with third parties, which are charged to earnings in the same period as the related revenue is recognized. Related investment tax credits reduce R&D expense in the same period in which the related expenditures are charged to earnings, provided there is reasonable assurance the benefits will be realized.

Inventories

Inventories are valued at the lower of cost (calculated generally on a first-in, first-out basis) and net realizable value. The cost of finished goods and work in process inventories is comprised of material, labour and manufacturing overhead.

1. Accounting policies *(continued)*

Translation of foreign currencies

Self-sustaining foreign operations, which comprise most of the Corporation's foreign subsidiaries and associated companies, are those whose economic activities are largely independent of those of the parent company. Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during the year. Resulting unrealized gains or losses, net of related hedging activities, are accumulated in and reported as currency translation adjustment in shareholders' equity. On reduction of such investments or on the payment of dividends by a self-sustaining foreign operation, an appropriate portion of the currency translation adjustment is recognized in earnings.

Integrated foreign subsidiaries are financially or operationally dependent on the parent company. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period. Translation exchange gains or losses of integrated foreign subsidiaries and those foreign subsidiaries operating in hyperinflationary economic environments are reflected in net earnings.

Unrealized translation gains and losses on assets and liabilities denominated in foreign currencies are reflected in net earnings for the year, except for gains and losses on long-term monetary assets and liabilities, such as long-term debt, which are reported as deferred charges or other long-term liabilities and amortized to earnings on a straight-line basis over the remaining lives of the related items.

Financial instruments

BCE uses a combination of financial instruments to manage its interest and foreign exchange risk exposures. BCE does not actively trade derivative financial instruments.

Gains and losses on forward contracts and cross currency swaps used to hedge foreign investments are deferred and reported as part of the currency translation adjustment in shareholders' equity. Gains and losses on forward contracts and cross currency swaps used to manage exposure to foreign exchange rates are recognized on the same basis as the gains and losses on the underlying debt. Amounts receivable or payable under interest rate swaps are accrued and recorded as adjustments to interest expense. Gains and losses related to hedges of anticipated transactions are deferred and recognized in earnings or recorded as adjustments of carrying values when the hedged transaction occurs. Any premiums paid with respect to financial instrument contracts are deferred and expensed to earnings over the contract period.

Goodwill

Goodwill represents the excess of the cost of investments over the fair value of the net assets acquired and is being amortized to earnings on a straight-line basis, over estimated lives ranging from 10 to 40 years. The carrying value of goodwill is evaluated for potential permanent impairment on an ongoing basis. In order to determine whether permanent impairment exists, BCE's management considers each business unit's financial condition, as well as expected pre-tax earnings, cash flows or market-related values. Any permanent impairment in the value of goodwill is written off against earnings in the year the impairment is recognized. Total goodwill amortization charged to operations, including that in equity in net earnings of associated companies, amounted to $95 million in 1996, $90 million in 1995 and $57 million in 1994.

Postemployment benefits

The Corporation and most of its subsidiaries provide various disability plans, workers' compensation and medical benefits to former or inactive employees, their beneficiaries and covered dependents, after employment but before retirement, under specified circumstances. The cost of providing these benefits is charged to earnings as expenditures are incurred.

1. Accounting policies *(continued)*

Postretirement benefits

The Corporation and most of its subsidiary companies provide pension and certain health care and life insurance benefits for employees on retirement. The accounting for pension costs is outlined in Note 12. The cost of the other benefits is generally charged to earnings as expenditures are incurred.

Income taxes

The Corporation and its subsidiaries other than those which are regulated carriers use the deferral method of accounting for income taxes. The regulated carriers use the liability method of accounting for income taxes whereby deferred income tax balances are adjusted to reflect changes to income tax rates. The resulting adjustments are taken into earnings in the year in which the changes occur. The deferred income tax balances reported on the consolidated balance sheet result from timing differences in the recognition of income and expense for financial statement and income tax purposes.

Business transformation program and workforce reduction costs

In March 1995, Bell Canada announced that, as a key element in its three-year transition plan to restore its financial strength, it would be implementing a business transformation program (business transformation) which is expected to result in substantial ongoing cash benefits principally through cost structure reduction. Business transformation follows earlier workforce reduction programs aimed at reducing Bell Canada's cost structure. Consistent with the methodology directed by the CRTC for earlier workforce reduction programs, business transformation costs, representing workforce transition and process optimization costs, are deferred and amortized on a straight-line basis over a five-year period. Business transformation costs also include amounts spent on capital expenditures which are accounted for in accordance with Bell Canada's ongoing policies for property, plant and equipment.

2. Segmented information

BCE operates the following business segments:

Canadian Telecommunications – provides a full range of telecommunications services in Canada;

Nortel – provides research, design, development, manufacture, marketing, sale, installation, financing, support and servicing of switching networks, enterprise networks, wireless networks, broadband networks and other products and services;

Bell Canada International (BCI) – is active in the wireline, cable/phone and wireless segments of the telecommunications industry, principally in the United Kingdom, the United States, South America and Asia;

Directories – publishes telephone and other directories in Canada and internationally; and

Corporate – BCE Inc. is a strategic management company whose major activities include strategy development, human resources management, capital allocation, goal setting and performance monitoring. Corporate results include interest expense, gains and losses on disposal of corporate investments, administrative expenses and related income taxes.

2. Segmented information *(continued)*

Business segments	Canadian Telecommunications	Nortel	BCI	Directories	Corporate	Eliminations	($ millions) Total
1996							
Revenues	**9,851**	**17,511** (i)	**221**	**556**	**28**	**–**	**28,167**
Operating profit	**2,148**	**1,470**	**26**	**112**	**(71)**	**–**	**3,685**
Net earnings (loss) (ii)	**777**	**435**	**10**	**56**	**(126)**	**–**	**1,152**
Assets	**22,807**	**14,911**	**2,986**	**262**	**1,712**	**(1,417)**	**41,261**
Capital expenditures	**2,229**	**823**	**66**	**6**	**4**	**–**	**3,128**
Depreciation and amortization	**2,616**	**753**	**36**	**10**	**19**	**–**	**3,434**
BCE investments, at equity (iii)	**9,115**	**3,108**	**2,056**	**47**	**543**	**–**	**14,869**
1995							
Revenues	9,174	14,626 (i)	223	570	31	–	24,624
Operating profit	1,979	1,022	4	107	(56)	–	3,056
Net earnings (loss) (ii)	574	334	(66)	50	(110)	–	782
Assets	22,606	12,888	2,662	267	2,078	(1,640)	38,861
Capital expenditures	1,923	790	76	5	10	–	2,804
Depreciation and amortization	2,242	681	25	9	13	–	2,970
BCE investments, at equity (iii)	9,033	2,617	2,083	39	874	–	14,646
1994							
Revenues	8,868	12,137 (i)	138	518	9	–	21,670
Operating profit	2,235	575	(52)	107	(55)	–	2,810
Net earnings (loss) (ii)	809	291	162	45	(129)	–	1,178
Assets	22,297	12,408	2,735	208	1,956	(1,411)	38,193
Capital expenditures	1,983	532	110	6	180	–	2,811
Depreciation and amortization	2,205	623	28	8	7	–	2,871
BCE investments, at equity (iii)	9,291	2,360	2,099	39	985	–	14,774

(i) Nortel revenues comprise revenues from:

	1996	1995	($ millions) 1994
Bell Canada	**733**	663	585
Other telecommunications subsidiary and associated companies of BCE	**405**	344	355
Other customers	**16,373**	13,619	11,197
	17,511	14,626	12,137

Telecommunications equipment manufacturing sales of Nortel to BCE and associated companies are made on arm's length terms. Sale prices and terms are based on those prevailing in the market for equivalent material and services under comparable conditions.

(ii) Represents each segment's contribution to BCE's net earnings.

(iii) Investments are reported on an "equity" basis and comprise BCE's cumulative investment made in each operating business segment plus BCE's share of the cumulative segment earnings less dividends received from the segment.

2. Segmented information *(continued)*

Geographic segments (i)	Canada	U.S.	Europe	Other	Eliminations	($ millions) Total
1996						
Revenues	**16,191**	**11,545**	**4,905**	**1,784**	**(6,258)**	**28,167**
Transfers between geographic areas	**(3,785)**	**(1,454)**	**(813)**	**(206)**	**6,258**	**–**
Revenues from customers	**12,406**	**10,091**	**4,092**	**1,578**	**–**	**28,167**
Operating earnings before R&D expense	**3,238**	**2,441**	**825**	**45**	**–**	**6,549**
Identifiable assets	**26,879**	**6,800**	**6,741**	**2,215**	**(1,374)**	**41,261**
1995						
Revenues	14,939	8,937	4,052	1,541	(4,845)	24,624
Transfers between geographic areas	(3,261)	(887)	(522)	(175)	4,845	–
Revenues from customers	11,678	8,050	3,530	1,366	–	24,624
Operating earnings before R&D expense	2,884	1,881	598	65	–	5,428
Identifiable assets	26,615	5,763	6,129	2,053	(1,699)	38,861
1994						
Revenues	14,190	8,058	2,251	798	(3,627)	21,670
Transfers between geographic areas	(2,738)	(595)	(135)	(159)	3,627	–
Revenues from customers	11,452	7,463	2,116	639	–	21,670
Operating earnings before R&D expense	3,022	1,744	354	(12)	–	5,108
Identifiable assets	26,297	6,098	6,262	1,250	(1,714)	38,193

Export sales, defined as revenue in Canada from customers outside of Canada, and intercompany transfers out of Canada, amounted to $4,136 million, $3,721 million and $3,289 million for the years ending December 31, 1996, 1995 and 1994, respectively.

Earnings	Operating earnings before R&D expense	R&D expense	Operating earnings	Interest expense, income taxes and non-controlling interest	($ millions) Net earnings
1996	**6,549**	**2,471**	**4,078**	**2,926**	**1,152**
1995	5,428	2,134	3,294	2,512	782
1994	5,108	1,606	3,502	2,324	1,178

(i) The point of origin (the location of the selling organization) of revenues and the location of the identifiable assets determine the geographic areas.

3. Other income

	1996	1995	($ millions) 1994
Gain on reduction of ownership in subsidiary and associated companies (a)	**111**	14	151
Gain on disposal of investments			
The Bank of Nova Scotia (b)	**34**	–	–
CLEAR Communications Limited (c)	**81**	–	–
Clearnet Communications Inc. (d)	**60**	–	–
Optical fiber businesses (e)	**–**	–	179
Other (f)	**13**	55	–
Equity in net earnings of associated companies	**7**	42	113
Interest income	**162**	233	199
Other	**(75)**	(106)	50
	393	238	692

(a) In December 1996, BCI recognized a gain of $85 million on the reduction of its ownership, from 42.2% to 32.5%, in Bell Cablemedia plc (BCM), that resulted from Cable & Wireless plc's investment of US $338 million to purchase treasury shares representing 22.64 % of BCM's voting shares. During 1996, Nortel recognized a gain of $26 million on the reduction of its ownership, from 100% to 72.9%, in Entrust Technologies Inc., as a result of the issuance of Entrust shares.

In March 1995, BCI recognized a gain of $14 million on the reduction of BCM's share of ownership in Videotron Holdings plc (Videotron) from 30.8% to 26.2%, as a result of Videotron's completion of an initial public offering of US $140 million representing approximately 15% of its share capital.

In July 1994, BCI recognized a gain of $151 million on the reduction of its ownership, from 80% to 42.2%, in BCM, that resulted from BCM's acquisition of additional U.K. cable properties and initial public offering.

(b) In June 1996, BCE Inc. realized a gain of $34 million on the disposal of all of its common shares of The Bank of Nova Scotia.

(c) In March 1996, BCI sold its interest in CLEAR Communications Limited and realized a gain of $81 million.

(d) In March 1996, BCE Mobile Communications Inc. sold its interest in Clearnet Communications Inc. resulting in a gain of $60 million.

(e) In February 1994, Nortel completed the sale of its optical fiber and fiber cable manufacturing facility in Saskatoon, Saskatchewan, resulting in a gain of $132 million. In December 1994, Nortel sold its connection, protection and optical fiber management systems businesses, resulting in a gain of $47 million.

(f) During 1995, BCE sold portfolio investments in Pairgain Systems Inc. and Plaintree Technologies Inc. and realized aggregate gains of $55 million.

4. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates with the reported income taxes follows:

	1996	1995	($ millions) 1994
Earnings before income taxes and non-controlling interest			
Canadian	**1,474**	1,321	1,942
Other	**1,303**	647	319
Total earnings before income taxes and non-controlling interest	**2,777**	1,968	2,261
Statutory income tax rate in Canada	**42.2%**	42.2%	41.9%
Income taxes at Canadian statutory rates	**1,172**	830	947
Large corporations tax	**31**	37	31
Deferred tax adjustment	**14**	–	(44)*
Difference between Canadian statutory rates and those applicable to foreign subsidiaries	**(94)**	(53)	(26)
Equity in net earnings of associated companies	**(3)**	(18)	(47)
Gain on reduction of ownership in subsidiary and associated companies	**(18)**	(6)	(63)
Gain on disposal of investments	**(14)**	(9)	(33)
Other	**30**	38	4
Total income taxes	**1,118**	819	769

Details of income taxes:

	1996	1995	($ millions) 1994
Income taxes			
Canadian	**658**	536	632
Other	**460**	283	137
	1,118	819	769
Income taxes			
Current	**1,010**	573	719
Deferred	**108**	246	50
	1,118	819	769

Deferred income taxes result from deductions for tax purposes, principally in respect of buildings, plant, machinery and equipment, and business transformation program and workforce reduction costs, in excess of amounts currently charged to earnings.

*In accordance with a July 1989 CRTC Telecom decision, a $293 million deferred tax adjustment was recorded by BCE in 1989 and amortized as a reduction of the income taxes over a five-year period ended September 1994.

5. Supplementary balance sheet information

At December 31	1996	($ millions) 1995
Accounts receivable		
Trade receivables (a)	**7,072**	6,185
Provision for uncollectibles	**(180)**	(114)
	6,892	6,071
Inventories		
Raw materials	**579**	552
Work in process	**470**	398
Finished goods	**1,408**	1,411
	2,457	2,361
Deferred charges (b)		
Deferred business transformation costs	**796**	308
Deferred workforce reduction costs	**220**	204
less: accumulated amortization	**(213)**	(76)
Deferred business transformation and workforce reduction costs, net (c)	**803**	436
Deferred pension asset (Note 12)	**658**	381
Unrealized foreign currency losses, net of amortization	**115**	133
Debt issue expenses, net of amortization	**94**	105
Amounts receivable under cross currency contracts	**82**	164
Other	**413**	348
	2,165	1,567
Debt due within one year		
Bank advances	**66**	68
Notes payable (d)	**951**	878
Long-term debt due within one year	**773**	1,138
	1,790	2,084

(a) Bell Canada and Nortel have programs to sell trade receivables on a revolving basis, and had sold, with limited recourse, accounts receivable for cash proceeds of $1,202 million and $994 million at December 31, 1996 and 1995, respectively.

(b) Amortization of deferred charges for the year 1996 amounted to $319 million ($159 million in 1995).

(c) In addition, deferred business transformation costs related to capital expenditures of $142 million ($32 million in 1995) are included in the appropriate capital assets categories in buildings, and machinery and equipment, and depreciated based on their estimated useful lives. In 1996, the amortization of deferred business transformation and workforce reduction costs amounted to $137 million ($48 million in 1995).

(d) Notes payable are issued in Canadian and U.S. dollars at market rates for commercial paper. The notes payable in U.S. dollars amounted to $247 million (US $180 million) at December 31, 1996 ($722 million (US $529 million) in 1995), a portion of which had been swapped to Canadian dollar principal and interest.

6. INVESTMENTS IN ASSOCIATED AND OTHER COMPANIES

(Investments accounted for using the equity method, except where otherwise noted)

	Ownership (%)		($ millions)	
At December 31	**1996**	1995	**1996**	1995
Canadian Telecommunications				
Teleglobe Inc.	**24.3***	24.3*	**273**	260
Maritime Telegraph and Telephone Company, Limited (a)	**35.5**	36.1	**182**	180
Bruncor Inc.	**45.0**	45.0	**170**	164
Telesat Canada (b)	**58.7**	58.5	**158**	149
Expressvu Inc. (c)	**39.5**	33.3	**14**	5
Other			**79**	56
Investments, at cost			**40**	72
Nortel				
FIMACOM			**25**	23
ICL PLC, at cost			**157**	142
Investments, at cost			**81**	70
Other			**4**	7
BCI				
Mercury Communications Limited (d)	**20.0**	20.0	**1,153**	1,126
Jones Intercable, Inc. (e)	**30.3***	30.2*	**417**	447
Bell Cablemedia plc (d)	**32.5**	42.2	**378**	357
CLEAR Communications Limited	**–**	25.0	**–**	40
Other			**37**	27
Investments, at cost			**4**	4
Directories			**14**	12
Corporate				
The Bank of Nova Scotia, at cost			**–**	300
Investments, at cost			**49**	29
Total investments in associated and other companies (f)			**3,235**	3,470

* Fully diluted

(a) **Maritime Telegraph and Telephone (MT&T)**
BCE's 35.5% interest represents 10,254,058 common shares in 1996 and 1995. A Nova Scotia statute provides that no more than 1,000 shares of MT&T may be voted by any one shareholder.

(b) **Telesat Canada**
At December 31, 1996 and December 31, 1995, BCE's voting interest was 26.1%.

(c) **Expressvu**
At December 31, 1996, additional Expressvu common shares representing 31.2% of such class were held by an independent trustee, pending consideration by the CRTC of an application seeking its approval of their transfer to BCE Inc.

(d) **Bell Cablemedia (BCM)**
On October 22, 1996, an announcement was made by BCI, Cable & Wireless plc (Cable & Wireless) and NYNEX Corporation of proposals to combine, through a series of transactions, the operations of Mercury with those of BCM, as enlarged by the acquisition of Videotron Holdings plc, and NYNEX CableComms Group, to create Cable & Wireless Communications plc (CWC).

6. INVESTMENTS IN ASSOCIATED AND OTHER COMPANIES *(continued)*

(d) **Bell Cablemedia (BCM)** *(continued)*

Such proposed combination is to be accomplished through a series of transactions. The first of such transactions, being the acquisition by BCM of a further 55.6% interest in Videotron at a purchase price of approximately US $606.2 million thereby increasing its interest to 81.7%, was completed on December 17, 1996. Such acquisition was funded, in part, by the subscription, in December 1996, by a subsidiary of Cable & Wireless for additional shares of BCM for a purchase price of US $338 million, thereby increasing its interest in BCM from 12.8% to 32.5% (see Note 3(a)). On January 8, 1997, BCM made an unconditional cash offer to purchase all remaining outstanding Videotron shares not already owned by it or its subsidiaries for US $19.75 net per American Depositary Share (or US $3.95 net per ordinary share) pursuant to an Offer to Purchase which was filed with securities regulators in the U.K. and the U.S. The Offer to Purchase expired on February 21, 1997 and, as of such date, BCM held approximately 99.9% of the issued equity share capital of Videotron. BCM has commenced a compulsory acquisition procedure enabling it to acquire all of the issued equity share capital of Videotron not already owned by it.

Another of such transactions, being the purchase by Cable & Wireless of 5.17% of the equity of Mercury from BCI for $335.7 million (£150 million), was completed on January 17, 1997, thereby increasing Cable & Wireless' interest in Mercury from 80% to approximately 85.2% and decreasing BCI's interest in Mercury from 20% to approximately 14.8%. BCI realized a net gain of $34 million on this transaction, which will be included in the 1997 first quarter results.

The remainder of such transactions are currently scheduled to take place during the first half of 1997. The completion of such transactions is subject to a number of pre-conditions, including (among other things) receipt of certain shareholder consents, regulatory approvals and tax clearances, many of which are not within BCI's control. Assuming completion of all such transactions, the fully diluted share capital of CWC will be owned 14.2% by BCI, 52.6% by Cable & Wireless, 18.5% by NYNEX Corporation, and the remainder by public shareholders.

(e) **Jones**

During 1994, BCE acquired a 29.9% interest (fully diluted) in Jones, 12.8% voting interest, for a total cash consideration of US $259 million and interests in other Jones assets for US $35 million. In addition, BCE paid US $55 million for an option to acquire a controlling interest in Jones. This option will be exercisable in 2002, or earlier under certain circumstances. BCE has also committed to participate in future equity financing for up to an additional US $141 million in order to finance the growth of Jones.

(f) The goodwill implicit in investments in associated and other companies amounted to $911 million at December 31, 1996 ($902 million in 1995).

7. CAPITAL ASSETS, NET

At December 31	**1996**		1995	*($ millions)*
	Cost	Net book value	Cost	Net book value
Plant	**25,484**	**14,406**	24,252	14,531
Machinery and equipment	**9,706**	**4,253**	9,153	3,902
Buildings	**4,157**	**2,692**	4,041	2,685
Plant under construction	**327**	**327**	696	696
Land	**258**	**258**	252	252
Other	**592**	**539**	559	531
	40,524	**22,475**	38,953	22,597

Depreciation and amortization of capital assets for the year 1996 amounted to $3,080 million ($2,790 million in 1995).

8. Long-term debt

Effective 1996, BCE retroactively changed its presentation of financial instruments to conform with new requirements from the Canadian Institute of Chartered Accountants. Amounts receivable or payable under cross currency contracts, previously reported as reductions or increases of long-term debt, have been reclassified to deferred charges or liabilities, as appropriate. These changes have the effect of increasing previously reported long-term debt by $44 million.

At December 31	**1996**	*($ millions)* 1995
BCE Inc.		
10.375% Series 5 Notes due 1996	**–**	250
8.5% Series 6 Notes due 1997	**250**	250
9% Series 7 Notes due 1997	**300**	300
8.375% Series 9 Notes (£ 125 million) due 1998 (a)	**293**	265
7.125% Series 10 Notes due 1998, swapped to U.K. pounds principal and interest of 6.815% (a)	**300**	300
8.75% Series 11 Notes due 1999	**200**	200
7.813% Series 12 Notes (£ 50 million) due 1999, swapped to Canadian dollar principal and interest of 8.82%	**117**	106
9.95% Series 13 Notes due 2000	**173**	173
8.95% Series 8 Notes due 2002, swapped to U.K. pounds principal and interest of 9.232% (a)	**300**	300
LIBOR* plus 0.25% term credit facility (US $400 million) due 2002, swapped to Canadian dollar principal and interest with fixed rate of 7.722% to 2000	**548**	546
Other	**–**	163
Total – BCE Inc.	**2,481**	2,853

	Weighted average rate of interest %	**1996**	*($ millions)* 1995
Bell Canada			
Debentures and notes (b)			
Due 1996	–	**–**	250
1997	8.43	**175**	175
1998	8.61	**475**	475
1999	9.60	**600**	600
2000	9.30	**533**	668
2001	7.30	**150**	–
2002 – 2011	9.45	**2,955**	3,301
2012 – 2054	10.01	**1,075**	1,075
Subordinated debentures			
Due 2026 – 2031	8.21	**275**	–
Other	–	**47**	75
Total – Bell Canada		**6,285**	6,619

*London Interbank Offered Rate

8. LONG-TERM DEBT *(continued)*

At December 31	1996	*($ millions)* 1995
Nortel		
9.6% Notes (US $60 million) due in equal annual installments	–	82
8.25% Notes (US $250 million) due 1996, swapped to U.K. pounds principal and interest of 10.60% (c)	–	340
7.45% Notes due 1998, swapped to U.K. pounds principal and interest with average floating rate of 5.89% (c)	**300**	300
8.75% Notes (US $250 million) due 2001, swapped to U.K. pounds principal and interest of 10.75% (c)	**342**	340
6.875% Notes (US $300 million) due 2002	**410**	408
6% Notes (US $200 million) due 2003	**274**	272
7.4% Notes (US $150 million) due 2006 (d)	**205**	–
6.875% Notes (US $200 million) due 2023	**274**	272
7.875% Notes (US $150 million) due 2026 (d)	**205**	–
Other	**272**	104
Total – Nortel	**2,282**	2,118
Other subsidiaries	**1,538**	1,472
Total long-term debt	**12,586**	13,062
Less: due within one year	**773**	1,138
Long-term debt	**11,813**	11,924

(a) Series 8, Series 9 and Series 10 are designated as a hedge against foreign currency exposure relating to BCE's investments in the U.K.

(b) Debentures and notes include US $400 million maturing in 2006 and 2010; 300 million Swiss francs, due 2003, and Canadian $380 million, due 1998 and 1999, swapped into U.S. dollar obligations as to principal and interest obligations; and 150 million German marks, due 2000, swapped into Canadian dollar obligations as to principal and interest obligations. In addition, $1.25 billion of long-term debt includes call options permitting early repayment of the principal amounts upon payment of certain premiums.

(c) Designated as a hedge against foreign currency exposure relating to Nortel's net investment in the U.K.

(d) Notes issued by Northern Telecom Capital Corporation, an indirect wholly-owned finance subsidiary of Nortel. The payment of principal of, premium, if any, and interest on, such Notes is wholly and unconditionally guaranteed by Nortel.

Long-term debt maturities during each of the next five years are summarized below:

Years ending December 31	1997	1998	1999	2000	*($ millions)* 2001
BCE Inc.	550	593	317	173	–
Bell Canada	196	487	602	535	152
Nortel	7	401	12	43	448
Other	20	211	39	344	242
Total maturities	773	1,692	970	1,095	842

At December 31, 1996, unused bank lines of credit, for general corporate purposes and to support commercial paper borrowings, generally at the banks' prime rate of interest, amounted to approximately $4.9 billion.

9. Financial instruments

Risk management

BCE Inc. uses forward contracts and cross currency swaps to hedge its foreign currency denominated notes payable and a portion of its foreign currency denominated long-term debt against fluctuations in foreign exchange rates. BCE Inc. uses a combination of foreign currency denominated long-term debt, cross currency swaps and forward contracts to limit its exposure to fluctuations in foreign exchange rates on its foreign investments. The Corporation also uses interest rate swaps to manage its exposure to interest rate fluctuations.

Bell Canada uses cross currency swaps and forward contracts to manage its foreign currency and interest rate positions. Bell Canada generally uses these derivative contracts to reduce its financing costs and to diversify Bell Canada's access to capital markets.

Nortel enters into long-term cross currency swaps and short-term forward contracts to limit its exposure to fluctuations in foreign exchange rates on its investments in the U.K. and in France. Nortel enters into option contracts to limit its exposure to foreign exchange fluctuations on future revenue and expenditure streams. Nortel also enters into forward contracts to limit its exposure to foreign exchange fluctuations on existing assets and liabilities and on future revenue and expenditure streams. Nortel also uses interest rate swaps to minimize financing costs on long-term debt and to manage the risk of interest rate fluctuations on existing liabilities and receivables.

Currency exposures

The terms of the cross currency contracts essentially match the terms of the underlying debt. The following table summarizes the debt-related strategies to manage the exposure to fluctuations in foreign exchange rates, as at December 31, 1996:

		Before-hedging strategies		After-hedging strategies	
($ millions)	Total	Canadian dollars	Foreign currency	Canadian dollars	Foreign currency
Long-term debt					
BCE Inc.	2,481	1,523	958	1,588	893
Bell Canada	6,285	5,268	1,017	5,022	1,263
Nortel	2,282	300	1,982	–	2,282
Other subsidiaries	1,538	817	721	1,023	515
Total long-term debt	12,586	7,908	4,678	7,633	4,953
Notes payable	951	678	273	821	130

Amounts to be received under cross currency swaps and forward contracts include £ 170 million, DM 150 million, FF 64 million, SF 300 million, US $1,961 million and $2,384 million.

Amounts owed under cross currency swaps and forward contracts include £ 1,187 million, FF 2,057 million, US $1,221 million and $1,154 million.

Interest rate exposures

Substantially all long-term debt is issued at fixed interest rates and notes payable are issued at market rates for commercial paper. The terms of the interest rate swaps are related to the debt and are principally between three and ten years in duration. The following table summarizes the debt-related strategies to manage the exposure to interest rate fluctuations, as at December 31, 1996:

		Before-hedging strategies		After-hedging strategies	
($ millions)	Total	Fixed interest rate	Floating interest rate	Fixed interest rate	Floating interest rate
Long-term debt					
BCE Inc.	2,481	1,933	548	2,481	–
Bell Canada	6,285	6,285	–	6,285	–
Nortel	2,282	2,171	111	1,871	411
Other subsidiaries	1,538	1,195	343	1,195	343
Total long-term debt	12,586	11,584	1,002	11,832	754
Notes payable	951	408	543	408	543

9. FINANCIAL INSTRUMENTS *(continued)*

CREDIT RISK

BCE is exposed to credit risk in the event of non-performance by counterparties, but does not anticipate non-performance by any of the counterparties. BCE deals only with highly-rated financial institutions and monitors the credit risk and credit standing of counterparties on a regular basis. BCE manages its exposure so that there is no substantial concentration of credit risk resulting from interest rate swaps, cross currency swaps and forward contracts. In addition, BCE is exposed to credit risk from customers and suppliers. However, BCE's businesses have a large number of diverse customers and suppliers which minimizes the concentration of this risk.

FAIR VALUE

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments of the same risk, principal and remaining maturities. Fair values are based on estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk.

Therefore, due to the use of subjective judgement and uncertainties, the aggregate fair value amount should not be interpreted as being realizable in an immediate settlement of the instruments.

At December 31, 1996 and 1995, the carrying value of all financial instruments approximates fair value with the following exceptions:

	1996		1995	
($ millions)	Carrying value	Fair value	Carrying value	Fair value
Long-term notes and other receivables (a)	**960**	**987**	785	785
Long-term debt due within one year	**773**	**789**	1,138	1,158
Long-term debt	**11,813**	**13,063**	11,924	12,868
Retractable preferred shares (b)	**122**	**138**	272	300
Derivative financial instruments, asset (liability) position:				
Cross currency swaps				
Assets	**68**	**71**	141	179
Liabilities	**(190)**	**(202)**	(104)	(140)
Forward contracts				
Assets	**14**	**20**	14	14
Liabilities	**(70)**	**(60)**	(2)	6
Interest rate swaps				
Assets	**–**	**–**	–	–
Liabilities	**–**	**(16)**	–	(33)
Options				
Assets	**–**	**–**	–	–
Liabilities	**–**	**(12)**	–	–

(a) Accounts receivable securitization balances are summarized in note 5. Long-term receivables of Nortel of approximately $367 million and $526 million had also been sold, with limited recourse, as at December 31, 1996 and 1995, respectively.

(b) Preferred shares, having liability characteristics, issued by subsidiaries to non-controlling interest, have been reclassified to other long-term liabilities with dividends treated as interest expense.

GUARANTEES

At December 31, 1996, BCE had outstanding guarantees of $550 million ($667 million in 1995) representing financial, bid, performance and advance payment guarantees issued in the normal course of business.

CUSTOMER FINANCING

Pursuant to certain financing agreements, Nortel is committed to provide future financing in connection with purchases of Nortel's products and services. These commitments totalled approximately US $2.1 billion as at December 31, 1996 (US $650 million in 1995).

10. Preferred shares

Authorized

The articles of incorporation of the Corporation provide for an unlimited number of First Preferred Shares and Second Preferred Shares. The articles authorize the Directors to issue such shares in one or more series and to fix the number of shares of each series, and the conditions attaching to them.

At December 31	**1996**		1995	
Outstanding	Number of shares	Stated capital (*$ millions*)	Number of shares	Stated capital (*$ millions*)
First Preferred Shares				
Series J shares (i)	**600**	**300**	600	300
Series N shares (i)	**700**	**350**	700	350
Series P shares (ii)(v)	**16,000,000**	**400**	16,000,000	400
Series Q shares (iii)(v)	**8,000,000**	**200**	8,000,000	200
Series S shares (iii)(v)	**8,000,000**	**200**	–	–
		1,450		1,250

(i) **Series J and Series N Shares**
The Cumulative Redeemable First Preferred Shares, Series J and Series N were issued in private placements at $500,000 per share in March 1989 and October 1989, respectively. The dividend rate on both series is determined by one of the following: direct negotiation between the Corporation and holders of the shares; bids solicited from investment dealers; or an auction procedure. The dividend rate on both series is currently determined by the auction procedure under which it may not exceed 0.4% plus the Bankers' Acceptance Rate as defined in the Articles of Amendment creating the Series J and the Series N shares. These shares, which are non-voting except in certain circumstances when holders are entitled to 5,000 votes per share, are redeemable, at the Corporation's option, for $500,000 per share.

(ii) **Series P shares**
The $1.60 Cumulative Redeemable First Preferred Shares, Series P were issued in June 1995 at $25 per share to yield 6.4%. The Series P preferred shareholders are entitled to fixed cumulative annual dividends of $1.60 per share payable quarterly. These shares are convertible, at the holder's option, on or after July 15, 2002 on the 15th day of January, April, July and October of each year, into that number of common shares of the Corporation determined by dividing $25 by the greater of $3 and 95% of the weighted average trading price of the Corporation's common shares determined in the manner set out in the Articles of Amendment creating the Series P shares, subject to the right of the Corporation to redeem or to find substitute purchasers for such shares. The Corporation may, on or after April 15, 2002, redeem the Series P shares at $25 per share or may, subject to the approval of certain stock exchanges, convert such shares into common shares of the Corporation on the same basis as described above. The Corporation may, at any time, elect to create a further series of preferred shares into which the Series P shares will be convertible on a share-for-share basis at the option of the holder.

(iii) **Series Q and Series S shares**
The Cumulative Redeemable First Preferred Shares, Series Q and Series S were issued in November 1995 and October 1996, respectively, at $25 per share. Holders of Series Q and Series S shares are entitled, until December 1, 2000 and November 1, 2001, respectively, to fixed cumulative annual dividends of $1.725 per share (6.9% yield), in the case of the Series Q shares, and $1.32 per share (5.28% yield), in the case of the Series S shares, payable quarterly. Thereafter, the Series Q and Series S preferred shareholders will be entitled to floating adjustable cumulative dividends payable monthly commencing with the month of January 2001, in the case of the Series Q shares, and December 2001, in the case of the Series S shares, with the annual floating dividend rate for the first month equal to 80% of Prime, as defined in the Articles of Amendment creating the Series Q and Series S shares. The dividend rate, thereafter, will float in relation to changes in Prime and will be adjusted upwards or downwards on a monthly basis based on the market value of the Series Q and Series S shares. These shares are convertible, subject to certain conditions, at the holder's option, on December 1, 2000 and on December 1 every five years thereafter, in the case of the Series Q shares, and on November 1, 2001 and on November 1 every five years thereafter, in the case of the Series S shares, into Cumulative Redeemable First Preferred Shares, Series R or Series T, respectively, described in (v) below of the Corporation on a share-for-share basis. If the Corporation determines that there would be less than one million Series Q or Series S shares outstanding on a conversion date, the remaining number of shares shall automatically be converted into an equal number of Series R or Series T shares, respectively. If the Corporation determines that there would be less than one million Series R or Series T shares outstanding on a conversion date, then no Series Q or Series S shares, as the case may be, shall be converted. On December 1, 2000 and on November 1, 2001, respectively, the Corporation may redeem the Series Q and Series S shares at $25 per share and subsequent to December 1, 2000 and November 1, 2001, the Corporation may redeem these shares at $25.50 per share at any time.

(iv) **Series R and Series T shares**
On October 25, 1995 and September 25, 1996, respectively, the Board of Directors of the Corporation authorized the creation of 8,000,000 Cumulative Redeemable First Preferred Shares of each Series R and Series T. No Series R or Series T shares are currently outstanding. Series R and Series T shares may not be issued by the Corporation until December 1, 2000 and November 1, 2001, respectively. Series R and Series T preferred shareholders will be entitled to fixed cumulative dividends payable quarterly. The dividend rate applicable to the Series R and Series T shares shall be set by the Corporation prior to the start of each five-year dividend period starting with the five-year dividend period beginning on December 1, 2000, in the case of the Series R shares, and November 1, 2001, in the case of the Series T shares. Each five-year fixed dividend rate selected by the Corporation shall not be less than 80% of the Government of Canada Yield, as defined in the Articles of Amendment creating the Series R and Series T shares. The Series R and Series T shares will be convertible, subject to certain conditions, at the holder's option, into Series Q shares and Series S shares, respectively, on a share-for-share basis, on December 1, 2005 and on December 1 every five years thereafter, in the case of the Series R shares, and on November 1, 2006 and on November 1, every five years thereafter, in the case of the Series T shares. On December 1, 2005 or on December 1 every five years thereafter, and on November 1, 2006 or on November 1 every five years thereafter, the Corporation may redeem the Series R or Series T shares, respectively, at $25 per share.

(v) The Series P, Q, R, S and T shares are non-voting except in certain circumstances when the holders of these shares are entitled to one vote per share.

11. Common shares

Authorized: an unlimited number of common shares.

At December 31	1996 Number of shares	1996 Stated capital (*$ millions*)	1995 Number of shares	1995 Stated capital (*$ millions*)
Outstanding	**317,965,362**	**6,226**	313,820,644	6,011

Changes in the number of common shares outstanding during the last three years:

	1996 Number of shares	1996 Stated capital (*$ millions*)	1995 Number of shares	1995 Stated capital (*$ millions*)	1994 Number of shares	1994 Stated capital (*$ millions*)
Shares issued						
For cash						
Shareholder Dividend Reinvestment and Stock Purchase Plan	**1,875,921**	**100**	2,228,951	98	2,140,214	102
Employees' Savings Plan	**1,911,756**	**99**	2,233,499	97	–	–
Exercise of options	**428,541**	**18**	53,777	2	89,836	4
Conversion of common share purchase warrants and preferred shares	**–**	**–**	14,200	1	3,000	–
Shares purchased for cancellation	**(71,500)**	**(2)**	–	–	(1,104,600)	(21)
	4,144,718	**215**	4,530,427	198	1,128,450	85

During the year ended December 31, 1996, the Corporation purchased 71,500 of its common shares, under a normal course issuer bid, for an aggregate price of $4.6 million, of which $0.2 million was charged to contributed surplus and $2.9 million was charged to retained earnings. During the year ended December 31, 1994, the Corporation similarly purchased 1,104,600 of its common shares, for an aggregate price of $52.7 million, of which $3.6 million was charged to contributed surplus and $28.5 million was charged to retained earnings.

Shareholder Dividend Reinvestment and Stock Purchase Plan (DRP)

The Corporation's DRP allows holders of its common shares to invest cash dividends and optional cash payments in newly issued common shares of the Corporation. Participants may purchase shares quarterly with common share cash dividends; in addition, participants may purchase shares monthly with optional cash payments up to an aggregate sum of $20,000 in each 12-month period ending October 15. Optional cash payments amounted to $17 million in 1996, $13 million in 1995 and $17 million in 1994.

The issue price of DRP shares is the average of the closing prices for a board lot trade of the common shares of the Corporation on the Montreal and Toronto stock exchanges on the five trading days immediately preceding the investment date. No price discount is offered to participants. At December 31, 1996, 9.5%, at December 31, 1995, 9.8% and at December 31, 1994, 10% of the number of outstanding common shares was enrolled in the DRP.

At December 31, 1996, 3,270,525 common shares were reserved for issuance under the DRP.

11. Common shares *(continued)*

Employees' Savings Plan (ESP)

The ESP enables employees of the Corporation and its participating subsidiaries to acquire BCE Inc. common shares through regular payroll deductions plus employer contributions, if applicable. The purpose of the ESP is to encourage employees to own shares of the Corporation. Participation at December 31, 1996, was 38,783 employees (42,544 employees in 1995 and 43,706 employees in 1994).

Common shares of the Corporation are purchased by the ESP Trustee on behalf of the participants on the open market, by private purchase or from BCE Inc., as determined from time to time by BCE Inc. The total number of ESP shares purchased on behalf of employees, including purchases from the Corporation shown in the table above, was 3,129,596 at December 31, 1996, 4,052,350 at December 31, 1995, and 3,690,295 at December 31, 1994.

At December 31, 1996, 5,419,263 common shares were reserved for issuance under the ESP.

Stock options

Under the Long-Term Incentive (Stock Option) Program (1985), options may be granted to officers and other key employees of the Corporation and of its subsidiaries to purchase common shares of the Corporation at a subscription price of 100% of market value on the last trading day prior to the effective date of the grant. The options are exercisable during a period not to exceed ten years. The right to exercise options generally accrues over a period of four years of continuous employment. Options are not generally exercisable during the first 12 months after the date of the grant. At December 31, 1996, a total of 936,130 options were outstanding (1,193,536 in 1995 and 1,087,495 in 1994) at prices ranging between \$36.8125 and \$66.70 (\$36.8125 and \$48.6875 in 1995 and in 1994), of which 384,533 options were exercisable (669,893 in 1995 and 593,180 in 1994) at prices ranging between \$36.8125 and \$49.6875 (\$36.8125 and \$48.6875 in 1995 and in 1994). At December 31, 1996, a total of 4,000,945 common shares remained authorized for issuance under this Program.

Simultaneously with the grant of an option, the employee may also be granted the right to a special compensation payment (SCP). The amount of any SCP is equal to the increase in market value of the number of the BCE Inc. shares covered by the SCP (which may not exceed the number of shares covered by the option to which it is related) from the date of grant of the SCP to the date of exercise of the option to which the SCP is related. Shares covered by options granted with respect to any year may not exceed 0.5% of the outstanding common shares of the Corporation at the end of the immediately preceding year.

In addition, SCPs have been granted as follows: 202,349 in 1996, 182,295 in 1995 and 293,171 in 1994. At December 31, 1996, 856,940 SCPs covering the same number of shares as the options to which they are related are outstanding.

12. Pensions

The Corporation and most of its significant subsidiary companies maintain non-contributory defined benefit plans that provide for pensions for substantially all their employees based on length of service and rate of pay. BCE's funding policy is to make contributions to its pension funds based on various actuarial cost methods as permitted by pension regulatory bodies. The companies are responsible to adequately fund the plans. Contributions reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits.

The cost of pensions is accrued and charged to earnings over employees' working lives. Pension expense was calculated using a value of assets adjusted to market over periods of up to five years. The weighted average discount rate used in determining the accumulated and accrued plan benefits was 8.4% in 1996, 1995 and 1994, and the weighted average assumed long-term rate of return on plan assets was 8.5% in 1996 and 1995 and 8.4% in 1994. Beginning in 1994, adjustments to accrued pension benefits arising from workforce reduction programs are deferred and amortized over five years in conformity with a CRTC ruling.

12. Pensions *(continued)*

The following table sets forth the financial position of the pension plans and BCE's net pension asset:

At December 31	1996	*($ millions)* 1995
Plan assets at market values	**15,337**	12,798
Actuarially projected plan benefits		
Accumulated plan benefits	**10,831**	10,235
Effect of salary projections	**1,695**	1,597
Projected plan benefits	**12,526**	11,832
Plan assets in excess of projected plan benefits	**2,811**	966
Unrecognized net experience gains (i)	**(2,536)**	(1,049)
Unrecognized net assets existing at January 1, 1987 (i)	**(83)**	(79)
Unrecognized plan amendments (i)	**189**	281
Net pension asset reflected on the consolidated balance sheet	**381**	119
Deferred pension asset, included in deferred charges	**658**	381
Deferred pension obligation, included in other long-term liabilities	**(277)**	(262)
Net pension asset	**381**	119

(i) Amortized over the employees' average remaining working lives (14 years at December 31, 1996).

The components of BCE's pension expense follow:

	1996	1995	*($ millions)* 1994
Service cost – benefits earned	**308**	305	298
Interest cost on projected plan benefits	**1,003**	944	879
Expected return on plan assets	**(1,095)**	(1,043)	(956)
Net amortization	**(97)**	27	8
Pension expense	**119**	233	229

13. Commitments and contingent liabilities

Lease commitments

At December 31, 1996, the future minimum lease payments under capital leases are $27 million.

At December 31, 1996, the future minimum lease payments under operating leases with initial non-cancellable lease terms in excess of one year were $336 million in 1997, $256 million in 1998, $185 million in 1999, $141 million in 2000, $115 million in 2001 and $516 million thereafter. Rental expense applicable to operating leases for the year 1996 was $512 million, $468 million in 1995 and $423 million in 1994.

Litigation

Certain holders of Nortel securities have commenced a class action in the United States District Court for the Southern District of New York alleging that Nortel and certain of its officers violated the Securities Exchange Act of 1934 and common law by making material misstatements of, or omitting to state, material facts relating to the business operations and prospects and financial condition of Nortel. At this stage of this action, Nortel cannot determine whether the action will have a material adverse impact on its consolidated financial position or results of operations.

In addition, in the normal course of operations, BCE becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at December 31, 1996, cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on BCE's consolidated financial position or results of operations.

13. Commitments and contingent liabilities *(continued)*

Environmental matters

Nortel, primarily as a result of its manufacturing operations, is subject to numerous environmental laws and regulations and is exposed to liabilities and compliance costs arising from its past and current generation, management and disposition of hazardous substances and wastes.

At December 31, 1996, the accruals on Nortel's consolidated balance sheet for environmental matters, including those referred to below, were US $50 million. It is anticipated that a majority of the accruals will be spent over the next three years. Based on information presently available, Nortel's management believes that the existing accruals are sufficient to satisfy probable and reasonably estimable environmental liabilities related to known environmental matters. Any additional liability that may result from these matters, and any additional liabilities that may result in connection with other sites currently under investigation, are not expected to have a material adverse impact on the consolidated financial position or results of operations of Nortel.

Nortel has remedial activities under way at nine manufacturing sites and seven previously occupied sites. An estimate of Nortel's anticipated remediation costs associated with all such sites, to the extent probable and reasonably estimable, is included in the environmental accruals referred to above in an approximate amount of US $48 million.

Moreover, Nortel has been named as a potentially responsible party (PRP) under the U.S. Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) at six Superfund sites in the United States and is listed as a *de minimis* PRP at three of these Superfund sites. An estimate of Nortel's share of the anticipated remediation costs associated with such Superfund sites is included in the environmental accruals referred to above.

Liability under CERCLA may be imposed on a joint and several basis, without regard to the extent of Nortel's involvement. In addition, the accuracy of Nortel's estimate of environmental liability is affected by several uncertainties such as additional requirements that may be identified in connection with remedial activities, the complexity and evolution of environmental laws and regulations and the identification of presently unknown remediation sites. Consequently, Nortel's liability could be greater than its current estimate.

14. Reconciliation of earnings reported in accordance with Canadian GAAP with United States GAAP

($ millions, except per share amounts)	**1996**	1995	1994
Net earnings – Canadian GAAP	**1,152**	782	1,178
Adjustments			
Postretirement benefits other than pensions (a)	**(62)**	(63)	(57)
Postemployment benefits (b)			
Impact of change in accounting policy as at January 1, 1994	**–**	–	(59)
Current year impact	**(9)**	(28)	(6)
Income taxes (c)	**(24)**	(24)	(21)
Pension expense (d)	**(21)**	–	–
Foreign exchange (e)	**13**	44	(34)
Other	**(34)**	(36)	–
Net earnings – U.S. GAAP	**1,015**	675	1,001
Net earnings per share – Canadian GAAP	**3.40**	2.23	3.52
– U.S. GAAP	**2.97**	1.89	2.94

The cumulative effect of differences between Canadian and United States GAAP is to reduce retained earnings by $592 million as at December 31, 1996, $455 million as at December 31, 1995 and $348 million as at December 31, 1994.

14. Reconciliation of earnings reported in accordance with Canadian GAAP with United States GAAP
(continued)

(a) **Postretirement benefits other than pensions**
The costs of postretirement benefits other than pensions, such as health and life insurance benefits for retirees, are generally charged to earnings as incurred. The Financial Accounting Standards Board (FASB) Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" requires the accrual of actuarially determined postretirement benefit costs as active employees earn these benefits.

In reporting the impact of the adoption of Statement No. 106, the Corporation has assumed that in setting rates for BCE's regulated entities, the CRTC would take such standard, including any transitional obligation, into account. Accordingly, the accumulated transitional obligation (i.e., employees' service prior to adopting the new method of accounting effective January 1, 1993) is amortized over 20 years.

(b) **Postemployment benefits**
The costs of postemployment benefits are generally recognized as the claims are incurred. Effective January 1, 1994, for the purpose of reporting under U.S. GAAP, BCE adopted FASB Statement No. 112 "Employers' Accounting for Postemployment Benefits." Statement No. 112 requires the accrual of the postemployment benefits at the occurrence of an event that renders an employee inactive.

(c) **Income taxes**
Under FASB Statement No. 109 "Accounting for Income Taxes" BCE adjusted its net deferred income tax liability for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, computed based on the rates and provisions of the enacted tax law.

(d) **Pension expense**
The difference arises from variations in methodology for calculating pension expense, curtailments and settlements under Canadian GAAP as opposed to under FASB Statement No. 87 "Employers' Accounting for Pensions" and FASB Statement No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits".

(e) **Foreign exchange**
Under FASB Statement No. 52, "Foreign Currency Translation", unrealized foreign exchange translation gains and losses on long-term monetary assets and liabilities are reported in earnings immediately rather than deferred and amortized over the remaining lives of the related items.

15. Interests in joint ventures

Included in the December 31, 1996 consolidated financial statements are revenues of $1,311 million ($1,204 million in 1995) and a net loss of $73 million ($100 million in 1995), representing BCE's proportionate share of interests in joint ventures. A substantial portion of the amounts proportionately consolidated relate to Nortel's interest in Matra Communication S.A.S. (Matra Communication). Prior to 1995, the equity method was used to account for these joint ventures.

In June 1994, Nortel and Lagardère SCA (Lagardère) signed an agreement pursuant to which each of Nortel and Lagardère hold, directly or indirectly, 50% of Matra Communication. In a related agreement, Lagardère may, under specific circumstances, require Nortel to purchase all or part of its equity participation in Matra Communication at a formula price, currently estimated at approximately 1.8 billion French francs (approximately US $335 million) for all its equity participation, with consideration consisting of a long-term interest-bearing note.

L.R. WILSON
Montreal, Quebec
Chairman and CEO, BCE Inc.
A director from May 1985 to September 1989 and since November 1990. A member of the Pension Fund Policy Committee. Chairman of Bell Canada and a director of Northern Telecom Limited, BCE Mobile Communications Inc. and Teleglobe Inc.

RONALD W. OSBORNE, F.C.A.
Westmount, Quebec
President, BCE Inc.
A director since May 1996. A member of the Pension Fund Policy Committee. A director of Bell Canada, Northern Telecom Limited, BCE Mobile Communications Inc., Teleglobe Inc., Bell Cablemedia plc and Bruncor Inc.

RALPH M. BARFORD
Toronto, Ontario
President, Valleydene Corporation Limited
A director since April 1987. Chairman of the Management Resources and Nominating Committee. A director of Bell Canada and Northern Telecom Limited.

WARREN CHIPPINDALE, F.C.A.
Mont-Tremblant, Quebec
Company director
A director since May 1986. Chairman of the Audit Committee. A director of Bell Canada and BCE Mobile Communications Inc.

RICHARD J. CURRIE
Toronto, Ontario
President and a director
George Weston Limited
A director since May 1995. Member of the Management Resources and Nominating Committee.

JEANNINE GUILLEVIN WOOD
Montreal, Quebec
Chairman of the Board
Guillevin International Inc.
A director since May 1989. Member of the Audit Committee. A director of Bell Canada.

GERALD J. MAIER
Calgary, Alberta
Chairman of the Board
TransCanada PipeLines Limited
A director since January 1987. A member of the Management Resources and Nominating Committee.

JOHN H. MCARTHUR
Wayland, Massachusetts
Dean Emeritus, Harvard University Graduate School of Business Administration
A director since May 1995. Member of the Audit Committee.

J. EDWARD NEWALL, O.C.
Calgary, Alberta
Vice-Chairman and Chief Executive Officer
NOVA Corporation Ltd.
A director since May 1989. A member of the Management Resources and Nominating Committee.

GUY SAINT-PIERRE, O.C.
Montreal, Quebec
Chairman of the Board
SNC-Lavalin Group Inc.
A director since May 1995. A member of the Audit Committee.

LOUISE B. VAILLANCOURT, C.M.
Outremont, Quebec
Company director
A director since January 1975. Chairman of the Pension Fund Policy Committee.

VICTOR L. YOUNG, O.C.
St. John's, Newfoundland
Chairman and Chief Executive Officer
Fishery Products International Limited
A director since May 1995. A member of the Pension Fund Policy Committee.

MEMBERS OF COMMITTEES OF THE BOARD

AUDIT	MANAGEMENT RESOURCES AND NOMINATING	PENSION FUND POLICY
W. Chippindale Chairman	R.M. Barford Chairman	L.B. Vaillancourt Chairman
J. Guillevin Wood	R.J. Currie	R.W. Osborne
J.H. McArthur	G.J. Maier	L.R. Wilson
G. Saint-Pierre	J.E. Newall	V.L. Young

Committees of the Board

BCE has established permanent committees of the Board of Directors to permit continuing review in the areas of auditing, management resources and nominating, and pension fund policy.

The Audit Committee reviews, reports and, where appropriate, provides recommendations to the Board on: the annual and interim consolidated financial statements and the integrity of the financial reporting of the Corporation; the adequacy of the Corporation's processes for identifying and managing risk; the adequacy of its internal control system; the adequacy of its processes for complying with laws and regulations; the appropriateness of, and compliance with, the policies and practices of the Corporation relating to business ethics; the appointment, terms of engagement and proposed fees of the shareholders' auditor; the appointment and mandate of the internal auditor; the relationship between related entities' audit committees and that of the Corporation; and the relationship between the Audit Committee, other Board committees and management. BCE's Audit Committee consists entirely of outside and unrelated directors, i.e., directors who are not officers of BCE or its subsidiaries. The Audit Committee met five times during 1996.

The Management Resources and Nominating Committee (MRNC) reviews, reports and, where appropriate, provides recommendations to the Board on: candidates for election to the Board; the appointment of the CEO; directors' remuneration in relation to current compensation practices; existing management resources and succession plans for officers and other ranks; the performance of the CEO and other officers; the Corporation's executive compensation policy; any proposed changes in organization, or to the Corporation's pension and benefit plans; and matters of corporate governance. The MRNC also establishes management performance criteria and undertakes annual surveys of all directors to allow each director to assess the effectiveness of the Board as well as to appraise his or her own participation on the Board. It reports to the Board annually on the Board's assessment of its effectiveness. It also ensures an orientation and education program for new Board members. All members of the committee are outside and unrelated directors. The MRNC met six times during 1996.

The Pension Fund Policy Committee (PFPC) advises the Board on policy with respect to the administration, funding and investment of the Corporation's pension plan and the unitized pooled fund sponsored by the Corporation for the collective investment of the Corporation's pension fund and participating subsidiaries' pension funds (the "Master Fund"). The PFPC also generally oversees the administration and investment of the Corporation's pension plan and Master Fund. All members of the PFPC, except L.R. Wilson and R.W. Osborne, are outside and unrelated directors. The PFPC met three times in 1996.

Corporate Officers

L.R. Wilson
Chairman and Chief Executive Officer

Ronald W. Osborne
President

Peter J.M. Nicholson
Executive Vice-President, Corporate Strategy

Thomas J. Bourke
Group Vice-President, Directories

William D. Anderson
Senior Vice-President, Finance

Josef J. Fridman
Senior Vice-President, Law and Corporate Secretary

Frederick J. Andrew
Vice-President and Treasurer

David A. Lazzarato
Vice-President and Comptroller

Francine Osborne
Vice-President, Communications

Peter M. Sharpe
Vice-President, Corporate Services

Price range of common shares

	1996			1995		
	High	Low	Close	High	Low	Close
Toronto Stock Exchange ($)	**68.95**	**47**	**65.30**	47⅝	41⅛	47¼
NYSE Consolidated tape ($US)	**50¾**	**34½**	**47¾**	35	29	34½

In 1996, the TSE moved from fractional price measurement to decimal format.

Average daily trading volumes

	1996	1995
	(000)	
Toronto	**636**	599
Montreal	**123**	137
New York Consolidated tape	**170**	174

Dividends on common shares*

Record Date	Payment Date
March 14, 1997	April 15, 1997
June 13, 1997	July 15, 1997
September 15, 1997	October 15, 1997
December 15, 1997	January 15, 1998

* Subject to approval by the Board of Directors

Dividends paid

Quarterly dividends of $0.68 per common share were paid in 1996 and 1995.

The current quarterly dividend rate is $0.68 per common share.

Avoid postal delays and trips to the bank

Join BCE's bank deposit program for your dividends.
For further information, contact Montreal Trust:
1 800 561-0934 (toll free in Canada and the U.S.)
982-7555 in the Montreal area

Increase your investment in BCE common shares without brokerage costs

Join BCE's Dividend Reinvestment and Stock Purchase Plan.
For further information, contact Montreal Trust:
1 800 561-0934 (toll free in Canada and the U.S.)
982-7555 in the Montreal area

Help BCE control costs and eliminate duplicate mailings

Multiple shareholder accounts are costly. You can consolidate your accounts by calling Montreal Trust:
1 800 561-0934 (toll free in Canada and the U.S.)
982-7555 in the Montreal area

Estate and succession duties

There are no estate taxes or succession duties imposed by Canada or by any province of Canada.

Canadian withholding taxes on foreign investors

Dividends on BCE shares paid or credited to non-residents of Canada are subject to withholding tax at 25%, unless reduced by treaty. Under current tax treaties, U.S. and U.K. residents' withholding tax rate is 15%.
If you have questions concerning withholding taxes, please contact BCE Investor Relations:
1 800 339-6353 (toll free in Canada and the U.S.)
397-7114 in the Montreal area
Fax: (514) 397-7321

Number of shares and shareholders

At December 31, 1996, there were 317,965,362 BCE common shares outstanding and 205,606 registered common shareholders, and 32,001,300 preferred shares outstanding, and 801 registered preferred shareholders.

Foreign ownership of BCE shares

In order to maintain the eligibility of its Canadian common carrier subsidiaries under the Telecommunications Act, BCE has certain powers to limit foreign ownership to no more than one-third of all of its outstanding voting shares. At December 31, 1996, foreign ownership of BCE common shares was some 16%.

Transfer offices and registrar for shares

Canada, Montreal Trust Company:
1 800 561-0934 (toll free in Canada and the U.S.)
982-7555 in the Montreal area
New York, Bank of Montreal Trust Company: (212) 701-7650
London, The R-M Trust Company: (44) 181 478 1888

Stock exchange listings

Montreal, Toronto, Vancouver, New York, London and the Swiss Exchange.

Corporate documents

Corporate documents are available by mail from BCE Inc., 1000, rue de La Gauchetière Ouest, Bureau 3700, Montréal (Québec) H3B 4Y7, or by telephone at 1 800 339-6353 (toll free in Canada and the U. S.). Documents available are annual and quarterly reports, news releases, stock quote data, annual information forms, notices of meetings and management proxy circulars, quarterly management's discussion and analysis, and quarterly supplemental information for analysts. Most of these documents can also be found on our web site: www.bce.ca

Corporate Directory

BCE Inc.
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fax: (514) 397-7321

Shareholder account and dividend inquiries
Montreal Trust Company
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Canadian Telecommunications

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Corporate Communications
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fax: (514) 842-9163
Web site: www.bell.ca

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fax: (506) 694-2028
Web site: www.bruncor.com

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tel: (902) 566-0170
fax: (902) 429-8755
Web site:
www.pei.sympatico.ca/island_tel

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fax: (902) 453-5221
Web site: www.mtt.ca

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fax: (709) 739-2845
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Web site: www.nt.net

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Web site: www.telebec.qc.ca

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fax: (416) 350-1516
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fax: (514) 868-8402
Web site: www.teleglobe.ca

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fax: (613) 748-8712
Web site: www.telesat.ca

TMI Communications
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fax: (613) 742-4100
Web site: www.msat.tmi.ca

Bell Canada International

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Santafé de Bogotá (D.C.)
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tel: (57) 1-616-9797
fax: (57) 1-616-9975
Web site: www.comcel.com.co

Jones Intercable, Inc.
Corporate Communications
9697 East Mineral Avenue
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fax: (303) 799-1644
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fax: (514) 934-2905
Web site: www.teledirect.com

Northern Telecom (Nortel)

Northern Telecom Limited
Communications
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fax: (905) 863-8505
Web site: www.nortel.com

Other

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fax: (416) 865-1686

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fax: (514) 394-1939

BCE Capital Inc.
1000, rue de La Gauchetière O.
Bureau 3400
Montréal (Québec)
H3B 4Y7
tel: (514) 397-7171
fax: (514) 397-7392
Web site: www.bcecapital.com

PRICE RANGE OF COMMON SHARES

	1996			1995		
	High	Low	Close	High	Low	Close
Toronto Stock Exchange ($)	**68.95**	**47**	**65.30**	47⅝	41⅛	47¼
NYSE Consolidated tape ($US)	**50¾**	**34½**	**47¾**	35	29	34½

In 1996, the TSE moved from fractional price measurement to decimal format.

AVERAGE DAILY TRADING VOLUMES

	1996	1995
	(000)	
Toronto	**636**	599
Montreal	**123**	137
New York Consolidated tape	**170**	174

DIVIDENDS ON COMMON SHARES*

Record Date	Payment Date
March 14, 1997	April 15, 1997
June 13, 1997	July 15, 1997
September 15, 1997	October 15, 1997
December 15, 1997	January 15, 1998

* Subject to approval by the Board of Directors

DIVIDENDS PAID

Quarterly dividends of $0.68 per common share were paid in 1996 and 1995.

The current quarterly dividend rate is $0.68 per common share.

AVOID POSTAL DELAYS AND TRIPS TO THE BANK

Join BCE's bank deposit program for your dividends.
For further information, contact Montreal Trust:
1 800 561-0934 (toll free in Canada and the U.S.)
982-7555 in the Montreal area

INCREASE YOUR INVESTMENT IN BCE COMMON SHARES WITHOUT BROKERAGE COSTS

Join BCE's Dividend Reinvestment and Stock Purchase Plan.
For further information, contact Montreal Trust:
1 800 561-0934 (toll free in Canada and the U.S.)
982-7555 in the Montreal area

HELP BCE CONTROL COSTS AND ELIMINATE DUPLICATE MAILINGS

Multiple shareholder accounts are costly. You can consolidate your accounts by calling Montreal Trust:
1 800 561-0934 (toll free in Canada and the U.S.)
982-7555 in the Montreal area

ESTATE AND SUCCESSION DUTIES

There are no estate taxes or succession duties imposed by Canada or by any province of Canada.

CANADIAN WITHHOLDING TAXES ON FOREIGN INVESTORS

Dividends on BCE shares paid or credited to non-residents of Canada are subject to withholding tax at 25%, unless reduced by treaty. Under current tax treaties, U.S. and U.K. residents' withholding tax rate is 15%.
If you have questions concerning withholding taxes, please contact BCE Investor Relations:
1 800 339-6353 (toll free in Canada and the U.S.)
397-7114 in the Montreal area
Fax: (514) 397-7321

NUMBER OF SHARES AND SHAREHOLDERS

At December 31, 1996, there were 317,965,362 BCE common shares outstanding and 205,606 registered common shareholders, and 32,001,300 preferred shares outstanding, and 801 registered preferred shareholders.

FOREIGN OWNERSHIP OF BCE SHARES

In order to maintain the eligibility of its Canadian common carrier subsidiaries under the Telecommunications Act, BCE has certain powers to limit foreign ownership to no more than one-third of all of its outstanding voting shares. At December 31, 1996, foreign ownership of BCE common shares was some 16%.

TRANSFER OFFICES AND REGISTRAR FOR SHARES

Canada, Montreal Trust Company:
1 800 561-0934 (toll free in Canada and the U.S.)
982-7555 in the Montreal area
New York, Bank of Montreal Trust Company: (212) 701-7650
London, The R-M Trust Company: (44) 181 478 1888

STOCK EXCHANGE LISTINGS

Montreal, Toronto, Vancouver, New York, London and the Swiss Exchange.

CORPORATE DOCUMENTS

Corporate documents are available by mail from BCE Inc., 1000, rue de La Gauchetière Ouest, Bureau 3700, Montréal (Québec) H3B 4Y7, or by telephone at 1 800 339-6353 (toll free in Canada and the U. S.). Documents available are annual and quarterly reports, news releases, stock quote data, annual information forms, notices of meetings and management proxy circulars, quarterly management's discussion and analysis, and quarterly supplemental information for analysts. Most of these documents can also be found on our web site: www.bce.ca

Corporate Directory

BCE Inc.
1000, rue de La Gauchetière O.
Bureau 3700
Montréal (Québec)
H3B 4Y7
Web site: www.bce.ca

Corporate Communications
tel: (514) 397-7056
fax: (514) 397-7157

Investor Relations
tel: (514) 397-7114 or
1 800 339-6353
fax: (514) 397-7321

Shareholder account and dividend inquiries
Montreal Trust Company
P.O. Box 1100, Station B
Montréal (Québec)
H3B 3K9
tel: (514) 982-7555 or
1 800 561-0934
fax: (514) 982-7635

Canadian Telecommunications

Bell Canada
Corporate Communications
1800, avenue McGill College
Bureau 901
Montréal (Québec)
H3A 3J6
tel: (514) 870-0649
fax: (514) 842-9163
Web site: www.bell.ca

Bruncor Inc.
One Brunswick Square
Saint John, New Brunswick
E2L 4L4
tel: 1 800 561-9030
fax: (506) 694-2028
Web site: www.bruncor.com

The Island Telephone Company Limited
Corporate Communications
P.O. Box 820
Charlottetown, P.E.I.
C1A 7M1
tel: (902) 566-0170
fax: (902) 429-8755
Web site:
www.pei.sympatico.ca/island_tel

Maritime Telegraph and Telephone Company, Limited
Corporate Communications
1505 Barrington Street
Halifax, Nova Scotia
B3J 2W3
tel: (902) 487-6236
fax: (902) 453-5221
Web site: www.mtt.ca

NewTel Enterprises Limited
Public Relations
Fort William Building
10 Factory Lane
St. John's, Newfoundland
A1C 6H5
tel: (709) 739-2837
fax: (709) 739-2845
Web site: www.ntc.nf.ca

Northern Telephone Limited
Public Relations
25 Paget Street
New Liskeard, Ontario
P0J 1P0
tel: 1 800 360-8555
fax: (705) 647-3592
Web site: www.nt.net

Northwestel Inc.
Public Affairs
301 Lambert Street
Whitehorse, Yukon
Y1A 4Y4
tel: (403) 668-5439
fax: (403) 668-7079
Web site: www.yukonweb.wis.net/business/nwtel

Télébec Ltée.
Communications
7151, rue Jean-Talon E.
Bureau 310
Anjou (Québec)
H1M 3N8
tel: (514) 493-5335
fax: (514) 493-5389
Web site: www.telebec.qc.ca

BCE Mobile Communications Inc.
8501, route Transcanadienne
Saint-Laurent (Québec)
H4S 1Z1

Corporate Communications
tel: (514) 822-3091
fax: (514) 953-8898

Investor Relations
tel: (514) 956-4800
fax: (514) 333-4616

Expressvu Inc.
1290 Central Parkway West
Suite 1008
Mississauga, Ontario
L5C 4R3
tel: 1 800 339-6908
Fax: (905) 272-5514
Web site: www.expressvu.com

MediaLinx Interactive
Communications
20 Richmond Street East
Suite 600
Toronto, Ontario
M5C 3B5
tel: (416) 350-1503
fax: (416) 350-1516
Web site: www.sympatico.ca

Teleglobe Inc.
External Communications
1000, rue de La Gauchetière O.
Montréal (Québec)
H3B 4X5
tel: (514) 868-7272
fax: (514) 868-8402
Web site: www.teleglobe.ca

Telesat Canada
1601 Telesat Court
Ottawa, Ontario
K1B 5P4
tel: (613) 748-0123
fax: (613) 748-8712
Web site: www.telesat.ca

TMI Communications
1601 Telesat Court
Ottawa, Ontario
K1B 5P4
tel: (613) 742-0000
fax: (613) 742-4100
Web site: www.msat.tmi.ca

Bell Canada International

Bell Canada International Inc.
Corporate Affairs
1000, rue de La Gauchetière O.
Bureau 1100
Montréal (Québec)
H3B 4Y8
tel: (514) 392-2384
fax: (514) 392-2490
Web site: www.bce.ca

Comunicación Celular S.A. (COMCEL)
Public Affairs
Calle 90, No. 14/37
Santafé de Bogotá (D.C.)
Colombia
tel: (57) 1-616-9797
fax: (57) 1-616-9975
Web site: www.comcel.com.co

Jones Intercable, Inc.
Corporate Communications
9697 East Mineral Avenue
Englewood, Colorado 80112
U.S.A.
tel: (303) 792-3111
fax: (303) 799-1644
Web site: www.jic.com

Directories

Tele-Direct (Publications) Inc.
Communications
1600, boul. René-Lévesque O.
Montréal (Québec)
H3H 1P9
tel: (514) 934-2786
fax: (514) 934-2905
Web site: www.teledirect.com

Northern Telecom (Nortel)

Northern Telecom Limited
Communications
8200 Dixie Road
Suite 100
Brampton, Ontario
L6T 5P6
tel: (905) 863-6251
fax: (905) 863-8505
Web site: www.nortel.com

Other

Bimcor Inc.
181 Bay Street
Suite 4700
Toronto, Ontario
M5J 2T3
tel: (416) 861-2000
fax: (416) 865-1686

1000, rue de La Gauchetière O.
Bureau 1300
Montréal (Québec)
H3B 5A7
tel: (514) 394-4750
fax: (514) 394-1939

BCE Capital Inc.
1000, rue de La Gauchetière O.
Bureau 3400
Montréal (Québec)
H3B 4Y7
tel: (514) 397-7171
fax: (514) 397-7392
Web site: www.bcecapital.com

Glossary of Terms

ADSL
(Asymmetric Digital Subscriber Line). A new technology which increases the transmission capacity of a conventional telephone wire. ADSL will enable access to the information highway at speeds roughly 50 to 100 times those of a regular modem.

Analog platform
The system based on analog transmission. An analog transmission is an electrical signal that varies continuously in amplitude or frequency with the information being transmitted, such as voice, data or video.

Bandwidth
A measure used to define the volume of information being sent over a telecommunications network and at what specific speed.

Broadband
Those communications which require high levels of transmission capacity in order to function. For example, video or multimedia services involve the transmission of a much larger amount of data than a regular telephone call.

Bundling
Given the impact of converging technologies, bundling is the marketing strategy of offering a variety of different telecom and broadcast services to customers, such as telephone, Internet and cable television access, together under one umbrella service.

CANOE
(Canadian Online Explorer). CANOE is a multimedia service which creates, manages and hosts web sites on the World Wide Web for a variety of customers and develops interactive information and entertainment products for delivery over computer and other electronic networks.

CD-ROM
(Compact Disc - Read Only Memory). A device, identical in appearance to a musical compact disc, with a large memory capacity and typically encoded with vast amounts of multimedia data, including video and animation.

CRTC
(The Canadian Radio-television and Telecommunications Commission). The CRTC is the federal regulatory agency which oversees the operations of Canadian broadcast and telecommunications companies, ultimately responsible for applying policy, setting guidelines and granting operating licences in Canada.

Digital platform
The system based on digital transmission. Digital signals are discontinuous electrical signals transmitted in a series of on and off pulses, and in which the signals can be regenerated. This type of transmission is considered superior to analog because it is sharper, clearer, quieter and more secure.

DTH
(Direct-to-Home Television Services). An alternative to cable television, DTH uses satellite technology to beam television signals directly into viewers' homes. DTH features digital picture and sound quality and is capable of providing more than 100 television channels.

Information highway
The term for a vast, global computer network consisting of many smaller interconnected networks, which has the capacity to transmit and exchange high-speed, interactive, broadband services such as data, voice and video communications.

Modem
A device connected to a computer which enables data to be converted from its original digital form to an analog form for transmission over conventional analog telephone lines.

Multimedia
A form of communications which features any combination of text, data, voice, video and audio used simultaneously. Multimedia enables connected users to send, share, retrieve or create information of any kind.

PCS
(Personal communications services). A new generation of wireless telephone services intended mainly for densely populated urban centres. PCS handheld phones are similar to cellular phones except they are typically smaller, cheaper, have longer lasting batteries, but possess a shorter roaming range.

Stentor
An alliance of the leading Canadian telecommunications companies, including Bell Canada, Stentor was formed to deliver cutting-edge local, national and international services to Canadian customers. The Stentor Alliance maintains the longest, fully digital, fibre optic network in the world.

U.S. Telecom act 1996
An act passed in the summer of 1996 by the United States government related to the deregulation of the American telecommunications industry.

1.9 GHz
A measure of radio bandwidth which determines the speed and volume of the information carried.

Trademarks

Sympatico is a trademark of MediaLinx Interactive, Limited Partnership. Vista 350 is a trademark of Northern Telecom. Yellow Pages is a trademark of Tele-Direct (Publications) Inc. Expressvu is a trademark of Expressvu Inc. CANOE is a trademark of BCE Media Investments and Sun Media. BCE is a trademark of BCE Inc.

1997 Annual Meeting

The annual and special meeting of BCE shareholders will take place at 10:30 a.m., Wednesday, April 30, 1997 at the Palais des Congrès de Montréal, 201, avenue Viger Ouest, Montréal (Québec).

Visit BCE at its web site! www.bce.ca

BCE Corporate Communications
1000, rue de La Gauchetière Ouest
Bureau 3700
Montréal (Québec)
H3B 4Y7

Tel.: (514) 397-7056
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Internet: bcecomms@bce.ca

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The Corporate House
Montréal (Québec)

Cette publication est disponible en français.

BCE

BCE Inc.

Notice of 1996 Annual Meeting and Management Proxy Circular

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Dear Shareholder:

You are invited to attend the annual meeting of the shareholders of BCE Inc. which will be held at the London Convention Centre, in London, Ontario, on Tuesday, May 7, 1996, at 10:30 a.m. You will find an admission ticket attached to your proxy form.

The items of business to be acted upon are set forth in the notice of meeting and management proxy circular. Your participation in the affairs of the Corporation is most important, regardless of the number of shares you hold. If you are unable to attend in person, please date, sign and promptly return the enclosed proxy form in the envelope provided for this purpose. If you intend to be present at the meeting, you may nevertheless find it convenient to express your views in advance by completing and returning your proxy.

Following the custom of past meetings, we will review with you the business and affairs of the Corporation and our expectations for the future. You will also have an opportunity to meet your directors and the executives of the Corporation.

Sincerely yours,

L.R. Wilson
Chairman, President and
Chief Executive Officer

February 28, 1996

Notice of 1996 Annual Meeting

The annual meeting of the shareholders of BCE Inc. will be held at the London Convention Centre, 300 York Street, London, Ontario, on Tuesday, May 7, 1996, at 10:30 a.m. (local time) for the following purposes:

- to receive the consolidated financial statements for the year ended December 31, 1995 and the auditors' report on the financial statements;
- to elect directors for the ensuing year;
- to appoint auditors to hold office until the close of the next annual meeting; and
- to transact such other business as may properly be brought before the meeting.

Shareholders registered at the close of business on March 18, 1996 will be entitled to receive notice of the meeting.

By order of the Board of Directors,

J.J. Fridman
Senior Vice-President, Law and Corporate Secretary

Montreal, February 28, 1996

Proxies to be used at the meeting must be received prior to 4:45 p.m. (Montreal time) on Friday, May 3, 1996, by our transfer agent, Montreal Trust Company, by mail at Box 580, Station B, Montreal (Quebec), Canada H3B 3K3, or by delivery to 1800, avenue McGill College, 6th Floor, Montreal (Quebec), or by other agents appointed by the Corporation for such purpose. Shareholders residing in the United States should mail their proxies to our transfer agent at Box 127, Rouses Point, N.Y. 12979-9930, U.S.A. and those residing outside Canada and the United States at Box 127, Rouses Point, N.Y. 12979-9929, U.S.A.

Management Proxy Circular

dated February 20, 1996

This management proxy circular (the "Circular") is furnished in connection with the solicitation by the management of BCE Inc. ("BCE" or the "Corporation") of proxies to be used at the annual meeting of the shareholders of the Corporation to be held in London, Ontario, on May 7, 1996, and at any adjournment thereof. Solicitation of proxies will be primarily by mail, supplemented by telephone or other contact, by employees or agents of the Corporation at a nominal cost, and all costs thereof will be borne by the Corporation. The Corporation has retained the services of Corporate Investor Communications, Inc. for the solicitation of proxies by telephone in the United States.

PROVISIONS RELATING TO VOTING

As of the date of this Circular, 314,761,633 common shares of the Corporation are entitled to be voted at the annual meeting.

Each share entitles the registered holder thereof to one vote on each ballot taken at any general meeting of the shareholders of the Corporation; such votes may be given in person or by proxy.

Only owners of shares registered on the books of the Corporation at the close of business on March 18, 1996, or their duly appointed proxies, will be entitled to attend or to register a vote at the annual meeting, unless shares are transferred after that date and the transferee establishes that he owns the shares and demands by the close of business on April 29, 1996 that his name be included in the list of shareholders entitled to vote.

Shares may be voted for or be withheld from voting on the election of directors and the appointment of auditors. On other matters, the shareholder may vote for or against the proposal.

On October 25, 1994, Canadian ownership and control regulations (the "Regulations") were adopted under the Telecommunications Act (the "Act"). To maintain the eligibility under the Act of Bell Canada and other BCE subsidiaries to act as Canadian common carriers, the level of non-Canadian ownership of BCE's voting shares cannot exceed 33⅓ per cent and BCE may not be otherwise controlled by non-Canadians. The Regulations give BCE, as the holding corporation for Canadian common carriers such as Bell Canada, certain powers to monitor and control the level of non-Canadian ownership of its voting shares. Such powers include the right to refuse to register a transfer of voting shares to a non-Canadian, to force a non-Canadian to sell his voting shares and to suspend the voting rights attached to that person's shares, if that person's holding would jeopardize BCE's status as a "Canadian" under the Regulations. To the best of BCE's knowledge, the level of non-Canadian ownership of BCE's common shares was approximately 13.81 per cent as at February 20, 1996. BCE monitors the level of non-Canadian ownership of its common shares and periodically reports thereon.

PROVISIONS RELATING TO PROXIES

All shares represented by properly executed proxies received by our transfer agent prior to 4:45 p.m. (Montreal time) on Friday, May 3, 1996 will be voted for or withheld from voting, in accordance with the wishes of the shareholder as specified thereon, on any ballot that may be called at the meeting.

The form of proxy enclosed herewith, when properly signed, confers discretionary authority on the person or persons named as proxy with respect to all amendments or variations to matters identified in the notice of meeting and to any other matter which may properly come before the meeting.

A proxy must be in writing and must be executed by the shareholder or by the shareholder's attorney authorized in writing. A shareholder who has given a proxy may revoke it by depositing an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing with the Vice-President and Treasurer of the Corporation at 1000, rue de La Gauchetière Ouest, Suite 3700, Montreal (Quebec), Canada H3B 4Y7, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, or by depositing it with the chairman of the meeting on the day of the meeting, or any adjournment thereof. A shareholder may also revoke a proxy in any other manner permitted by law.

The Corporation may appoint agents in cities other than Montreal for the purpose of facilitating the delivery of proxies; if such agents are appointed, the Vice-President and Treasurer will supply their names and addresses on request.

BUSINESS TO BE TRANSACTED AT THE MEETING

(See Notice of 1996 Annual Meeting, page 2)

Presentation of financial statements

The consolidated financial statements for the year ended December 31, 1995, and the report of the shareholders' auditors thereon will be placed before the meeting. The consolidated financial statements are included in the BCE 1995 Annual Report which is being mailed to shareholders with this Notice of Meeting and Circular.

Election of directors

(See item 1 on proxy form)

The Honourable D. J. Johnston is not standing for re-election this year due to his forthcoming appointment as Secretary General of the Organization for Economic Cooperation and Development in Paris, France, effective June 1, 1996.

Twelve directors are to be elected to hold office until the next annual meeting of the shareholders.

The persons nominated in the Circular are, in the opinion of management, well qualified to direct the Corporation's activities for the ensuing year.

All nominees have formally established their eligibility and willingness to serve as directors.

It is the intention of the persons whose names are printed in the enclosed proxy form to vote such proxy for the election of the nominees listed herein unless specifically instructed on the proxy form to withhold such vote.

If, prior to the annual meeting, any of the listed nominees should become unavailable to serve, the persons designated in the proxy form will have the right to use their discretion in voting for a properly qualified substitute.

Appointment of auditors

(See item 2 on proxy form)

A firm of auditors is to be appointed by vote of the shareholders at the annual meeting to serve as auditors of the Corporation until the close of the next annual meeting. The Board of Directors, on the advice of the Audit Committee, recommends that Deloitte & Touche be reappointed as the shareholders' auditors.

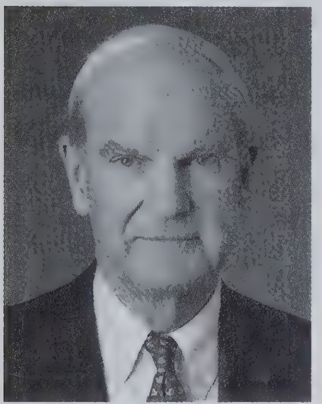
Other business

The Chairman will report on recent events of significance to the Corporation and on other matters of interest to the shareholders and will invite questions and comments from the floor.

NOMINEES FOR ELECTION AS DIRECTORS AND THEIR BENEFICIAL SECURITIES OWNERSHIP

Abbreviations

Nortel = Northern Telecom Limited, **BCE Mobile** = BCE Mobile Communications Inc.



Ralph MacKenzie Barford, of Toronto, Ontario, is President of Valleydene Corporation Limited, a private investment company. He has served as a director since April 1987 and is Chairman of the Management Resources and Nominating Committee. He is also Chairman of the Board of GSW Inc., and a director of Nortel, Bank of Montreal, Hollinger Inc., Morton International, Inc. and The Molson Companies Limited.

BCE common
40,000

Nortel common
25,000

Warren Chippindale, F.C.A., of Mont-Tremblant, Quebec, is a consultant. He has served as a director since May 1986 and is Chairman of the Audit Committee. He is also a director of Bell Canada, BCE Mobile, Alcan Aluminium Limited, The Bullock Funds and The Molson Companies Limited.

BCE common
1,088

BCE Mobile common
700

Richard James Currie, of Toronto, Ontario, is President and a director of Loblaw Companies Limited, Canada's largest retail/wholesale food distributor. He has served as a director since May 1995 and is a member of the Management Resources and Nominating Committee. Mr. Currie is also a director of George Weston Limited and Imperial Oil Limited.

BCE common
1,000

NOMINEES FOR ELECTION AS DIRECTORS AND THEIR BENEFICIAL SECURITIES OWNERSHIP

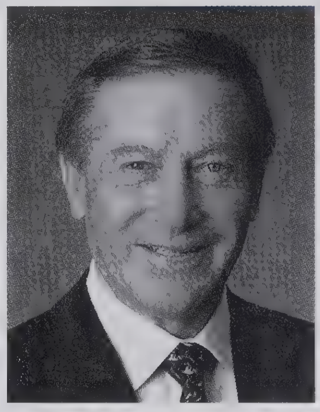
Abbreviation
Nortel = Northern Telecom Limited

Jeannine Guillevin Wood, of Montreal, Quebec, is Chairman of the Board of Guillevin International Inc., a distributor of electrical products. She has served as a director since May 1989 and is a member of the Audit Committee. She is also a director of Laurentian Bank of Canada, Royal Insurance Company of Canada and Sun Life Assurance Company of Canada.

BCE common
594

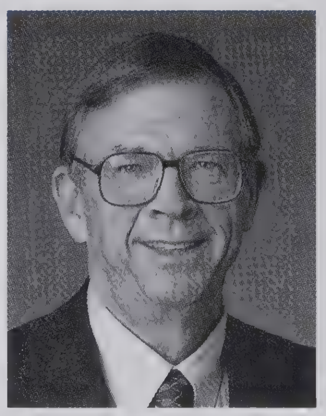
BCE first preferred - Series P
3,200

Nortel common
200



Gerald James Maier, of Calgary, Alberta, is Chairman of the Board of TransCanada PipeLines Limited, a natural gas transportation and marketing company. He has served as a director since January 1987 and is a member of the Management Resources and Nominating Committee. He is also a director of The Bank of Nova Scotia, DuPont Canada Inc., TransAlta Corporation, Alberta Natural Gas Company Ltd and Petro-Canada.

BCE common
795



John Hector McArthur, of Wayland, Massachusetts, is a member of the Faculty, Harvard University Graduate School of Business Administration. He has served as a director since May 1995 and is a member of the Audit Committee. He is also a director of The Chase Manhattan Corporation, Rohm and Haas Company, Inc., Spring Industries, Inc., Cabot Corporation and Glaxo-Wellcome plc.

BCE common
726

NOMINEES FOR ELECTION AS DIRECTORS AND THEIR BENEFICIAL SECURITIES OWNERSHIP

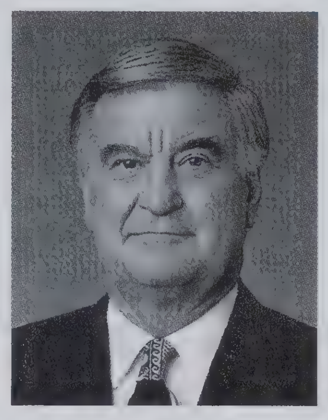
Abbreviations
Nortel = Northern Telecom Limited, **BCE Mobile** = BCE Mobile Communications Inc.

James Edward Newall, O.C., of Calgary, Alberta, is Vice-Chairman and Chief Executive Officer of NOVA Corporation Ltd., a natural gas services and petrochemicals company. He has served as a director since May 1989 and is a member of the Management Resources and Nominating Committee. He is also Chairman of the Board of Methanex Inc. and a director of Alcan Aluminium Limited, The Molson Companies Limited and Royal Bank of Canada.

BCE common
1,304

Ronald Walter Osborne, of Montreal, Quebec, is Executive Vice-President and Chief Financial Officer of the Corporation. Mr. Osborne has held this position since January 1995 when he joined the Corporation. From 1986 until the end of 1994, he was President and Chief Executive Officer of Maclean Hunter Limited. He is a new nominee for election as a director. Mr. Osborne is also a director of Bell Canada, BCE Mobile, Bell Cablemedia plc, Bruncor Inc., Sun Life Assurance Company of Canada and Noranda Inc.

BCE common
1,890



Guy Saint-Pierre, O.C., of Montreal, Quebec, is President and Chief Executive Officer of SNC-Lavalin Group Inc., an engineering-construction company. He has served as a director since May 1995 and is a member of the Pension Fund Policy Committee. He is also a director of General Motors of Canada Limited, Alcan Aluminium Limited and Royal Bank of Canada.

BCE common
714

Nortel common
550

NOMINEES FOR ELECTION AS DIRECTORS AND THEIR BENEFICIAL SECURITIES OWNERSHIP

Abbreviations
Nortel = Northern Telecom Limited, **BCE Mobile** = BCE Mobile Communications Inc., **NewTel** = NewTel Enterprises Limited

Louise Brais Vaillancourt, C.M., of Outremont, Quebec, is a company director. She is also active in the areas of higher education and health research as well as in non-profit organizations. She has served as a director since January 1975 and is Chairman of the Pension Fund Policy Committee. She is also a director of National Bank of Canada, Air Canada and AXA Insurance.

BCE common
759

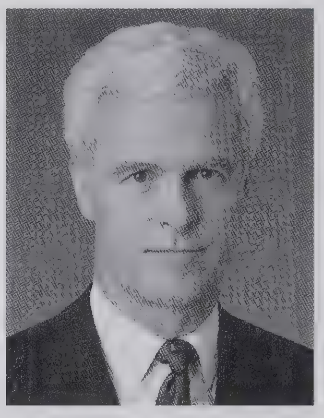
Nortel common
400

Lynton Ronald Wilson, of Montreal, Quebec, is Chairman, President and Chief Executive Officer of the Corporation. He has served as a director from May 1985 to September 1989 and continuously since November 1990, and is a member of the Pension Fund Policy Committee. He is also a director of Bell Canada, Nortel, BCE Mobile, Teleglobe Inc., Chrysler Corporation, Stelco Inc. and Tate & Lyle PLC.

BCE common
37,483

Nortel common
4,853

NewTel common
500



Victor Leyland Young, of St. John's, Newfoundland, is Chairman and Chief Executive Officer of Fishery Products International Limited, a Newfoundland-based international seafood harvesting, processing and marketing company. He has served as a director since May 1995 and is a member of the Pension Fund Policy Committee. He is also a director of Royal Bank of Canada and McCain Foods Limited.

BCE common
355

DIRECTORS' AND OFFICERS' REMUNERATION

Report on executive compensation

COMPENSATION PHILOSOPHY

The objectives of the executive compensation policy are to assist in attracting and retaining executives, and in motivating them to achieve individual and group performance objectives consistent with creating shareholder value and advancing BCE's corporate success.

The compensation philosophy of BCE is to offer total cash compensation based on a comparator group of major Canadian corporations. A substantial portion of the total cash compensation is contingent upon corporate performance. In addition, there are long-term incentive programs designed to motivate the attainment of longer-term objectives, to align executive and shareholder interests and to ensure reasonable opportunities for capital accumulation.

The Management Resources and Nominating Committee (the "MRNC") of the Board of Directors undertakes periodic reviews of BCE's executive compensation policy to ensure its continued effectiveness in meeting the above objectives.

COMPOSITION OF THE COMPENSATION COMMITTEE

The MRNC is responsible for the administration of BCE's executive compensation policy. The MRNC reports and makes recommendations on executive compensation matters to the Board of Directors.

The members of the MRNC are Ralph M. Barford, Richard J. Currie, Gerald J. Maier and J. Edward Newall. The Chairman is Mr. Barford. C. William Daniel and C. Richard Sharpe were members of the MRNC until they ceased to be directors on May 3, 1995. They were replaced by Messrs. Currie and Maier. The MRNC met five times during 1995. As a corporate practice, Mr. Wilson attends all MRNC meetings except when matters pertaining to him are discussed. Mr. Wilson does not vote at MRNC meetings.

TOTAL CASH COMPENSATION: SALARY AND SHORT-TERM INCENTIVE

Total cash compensation, which comprises salary plus annual short-term incentive awards at target levels, is compared to a group of 21 widely-held Canadian corporations which have annual revenues in excess of $1 billion. Such total cash compensation levels are set to reflect both the marketplace (to ensure competitiveness) and the responsibility of each position (to ensure internal equity). The total cash compensation policy is positioned at the 75th percentile, *i.e.* 25 per cent of the companies pay more and 75 per cent of the companies pay less.

Salary:

Positions of officers, like all others in the Corporation, are formally evaluated using a widely accepted job-scope evaluation system, which produces a specific number of evaluation points. The positions' salaries are determined on the basis of these evaluation points within the comparator group, and then tested against another widely accepted approach, *i.e.* that of direct market comparison with similar positions also within the same comparator group. The results of these two approaches have generally been within five per cent of one another.

Executives are paid a base salary at the median of the comparator group while providing total cash compensation at the 75th percentile. Mr. Wilson's salary of $871,200 for 1995 has been set within the framework of a 1995 salary mid-point of $929,000, which represents the market median.

Annual short-term incentive awards:

Annual short-term incentive awards are based upon two factors:

(1) corporate performance — this is assessed on the basis of strategic business objectives and quantifiable financial targets both set at the beginning of the year as the Corporate Mandate by the Board of Directors. Strategic business objectives might include, for example, a specific corporate objective with respect to a particular subsidiary, the development of new businesses, the reinforcement of communications with stakeholders or the strengthening of the management team. Quantifiable financial targets might include, for example, earnings per share or contribution to earnings from core businesses. Although none of these objectives has a specific weight, primary consideration is generally given to the quantifiable financial targets; and

(2) individual contribution — this is evaluated on the basis of criteria which affect corporate performance, including succession planning and management development.

On the basis of the above factors, the MRNC determines the size of the annual short-term incentive award as a percentage of salary mid-point. The MRNC, as part of the executive compensation policy, has established target awards ranging in 1995 from 25 per cent of the salary mid-point for the lowest eligible officer position to 50 per cent for the Chairman, President and Chief Executive Officer.

Executive officers' short-term incentive awards are more dependent on the corporate performance factor than on the personal contribution factor. The size of the corporate factor tends to decrease the lower the rank of the officer, while the personal factor increases. Actual awards may vary between zero and twice the target awards depending on achievement of the above factors. They are paid at the beginning of a year with respect to performance in the previous year.

When the principal function of an executive officer of the Corporation is as an officer of a subsidiary, the subsidiary determines the compensation elements. BCE's MRNC may, in addition, recommend a short-term incentive award or a restricted share award (see page 11) based upon the contribution of the executive officer to the BCE group.

Given their receipt of restricted shares (see page 11), no short-term incentive awards were granted to named executive officers for the year 1995.

Special awards:

In addition to annual short-term incentive awards, special awards may be exceptionally granted to recognize specific individual contributions. Special awards are included under "Bonus" in the **Summary compensation table.** No special awards have been granted to the named executive officers in respect of 1995.

ANNUAL MEETING ADMISSION TICKET

Please present this ticket at the entrance to facilitate verification of your status as a shareholder.

00503202

CRAIG.0JTE5.003

Account No.

443

MRS JANET CRAIG
2177 LAFAYETTE ST
VICTORIA BC
V8S 2P2

The 1996 annual meeting of the shareholders of BCE Inc. will be held at the London Convention Centre, 300 York Street, London, Ontario, on Tuesday, May 7, 1996 at 10:30 a.m. (local time).

Please confirm your attendance by calling Montreal Trust Company at 1 800 561-0934. Kindly communicate any special assistance you may require at that time.

IMPORTANT NOTICE
QUARTERLY REPORTS – DO YOU WISH TO RECEIVE THEM?

CRAIG.0JTE5.003

Account No.

MRS JANET CRAIG
2177 LAFAYETTE ST
VICTORIA BC
V8S 2P2

Social Insurance Number (Canada)

4	1	5	—	3	8	9	—	7	0	9

Please enter or correct as appropriate (see reverse)

BCE regularly provides full information to the press the day its quarterly results are announced. For this reason, many of our 219,000 registered shareholders do not wish to receive by mail copies of the subsequent quarterly reports. By mailing these reports only to those shareholders who want them, your Corporation can achieve savings in both paper usage and expense.

To assist us with this program, **please check the box below only if you wish to receive quarterly reports**. Return this card, together with your proxy, in the postage paid envelope provided.

If this card is not returned, we will assume you do not wish to receive these reports; however, you will continue to receive the annual report and associated proxy material.

☐ **If you wish to receive the BCE Quarterly Reports in 1996, please check here.**

0168915

A message of Revenue Canada, Taxation

If you receive income from securities, a trust or mutual fund (in the form of dividends, interest, redemption premiums, etc.), the Income Tax Act requires that you give your Social Insurance Number to the person (the issuing company, trustee, or agent) who prepares information slips on your behalf.

Providing your Social Insurance Number will improve the fairness of the tax system because it ensures that investment income is declared at tax time so everyone pays his fair share. Your cooperation helps us process forms more quickly, and provide better and more timely service.

The issuer, trustee or agent is required by law to ask for your Social Insurance Number. If you do not give your Social Insurance Number to authorized individuals when requested, you are liable for a penalty of $100 for each failure.

If you do not have a Social Insurance Number, please contact your local Canada Employment Centre. As soon as you receive your Social Insurance Number card in the mail, inform the issuer, trustee or agent. In addition, be sure to name the security you hold, and give your full name and address as registered.

For further information, please call or visit your local district taxation office.

LONG-TERM COMPENSATION

Stock Options:
Options to purchase common shares of the Corporation may be granted to officers and other key employees of the Corporation as well as to key employees of certain BCE subsidiaries. Stock option awards vary according to salary level and do not take outstanding options into account. Target grant levels depend on the position of the incumbent. For example, the target grant at the CEO level in 1995 is 150 per cent of the salary mid-point, at the Executive Vice-President level, 75 per cent and so on, decreasing to 60 per cent at the lowest eligible officer level. Grant levels are then based on the average closing price of the Corporation's common shares on The Toronto Stock Exchange and the Montreal Exchange the day prior to the effective date of the grant of the options ("Market Value"). The MRNC may, at its discretion, grant options in any given year up to a maximum of two times target.

Options must be exercised within ten years of the grant. The right to exercise an award of options in its entirety gradually accrues over a period of four years unless otherwise determined by the MRNC at the time of grant. The exercise price payable for each common share covered by an option is the Market Value. Simultaneously with the granting of an option, rights to a Special Compensation Payment ("SCP") may be granted. The SCP is a cash payment representing the excess of the average closing price of the shares on The Toronto Stock Exchange and the Montreal Exchange on the date of exercise over their Market Value. The SCPs are provided for the purpose of paying taxes upon the exercise of an option. When SCPs are attached to options, the SCPs are triggered when the options are exercised.

Restricted Shares:
To increase alignment of executive and shareholder interests, BCE has developed a restricted share program pursuant to which BCE common shares purchased in the open market may be awarded, after remittance of applicable withholding taxes, to certain officers in lieu of a short-term incentive award. These shares granted with respect to 1995 are put in escrow and cannot be sold until the earlier of January 31, 1999, retirement, cessation of employment, or death of the officer.

The MRNC determines the size of the restricted share awards as a percentage of salary mid-point upon the same factors and weighing as those described under "Annual short-term incentive awards". Target awards are also the same as those for short-term incentive awards.

After remittance of withholding taxes of $245,906 to federal and provincial authorities, Mr. Wilson has received 4,393 restricted BCE common shares based on a pre-tax amount of $464,500, or 100% of his target award. In the case of Mr. Wilson, 100% of the award is based on corporate performance. The Corporate Mandate specified goals with respect to certain subsidiaries. Revenue and earnings growth by some subsidiaries and successful accomplishment of transition plan milestones of Bell Canada determined an award at the target level for 1995.

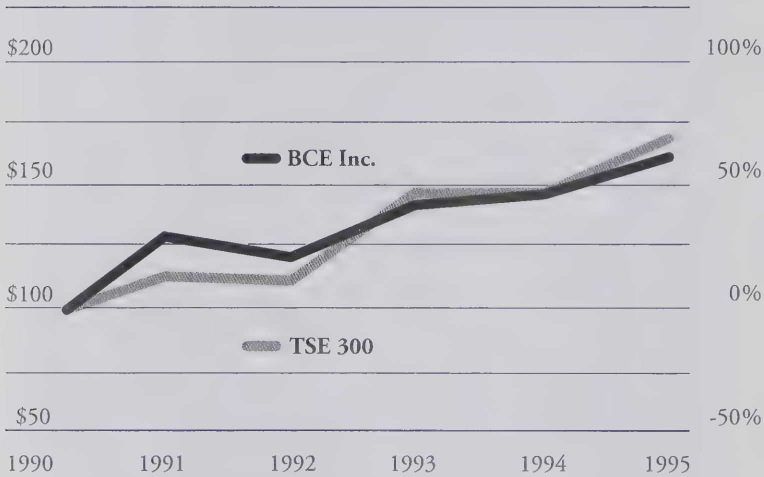
CERTAIN NAMED EXECUTIVE OFFICERS

Two named executive officers, T.J. Bourke and D.H. Burney, are also officers of two of BCE's subsidiaries, namely Tele-Direct (Publications) Inc. ("Tele-Direct") and Bell Canada International Inc. ("BCI"), respectively. Their compensation is independently determined by the Board of Directors of these two subsidiaries. Mr. Bourke's compensation elements, and their determination are essentially similar to those of a BCE senior vice-president, while in the case of Mr. Burney, they are essentially similar to those of a BCE executive vice-president. Both Tele-Direct and BCI have their own short-term incentive plans which tie their short-term incentive payouts to their respective specific corporate objectives set out at the beginning of the year, in addition to recognizing individual contribution. They also have their own restricted share program.

Report presented by:
R.M. Barford, Chairman
R.J. Currie
G.J. Maier
J.E. Newall

Shareholder return performance graph

The graph below compares the yearly percentage change in the cumulative total shareholder return on the Corporation's common shares against the cumulative total shareholder return of the TSE 300 Composite Index for the five-year period commencing December 31, 1990, and ending December 31, 1995*.



1990 = $100

	1990	1991	1992	1993	1994	1995
BCE Inc.	$100	128	118	139	144	158
TSE 300	$100	112	110	146	146	167

* Assumes that the initial value of the investment in the Corporation's common shares and in the TSE 300 Composite Index was $100 on December 31, 1990, and that all subsequent dividends were reinvested. All prices for the Corporation's common shares were taken from The Toronto Stock Exchange's records.

Executive compensation table

The following table sets forth the annual and long-term compensation for the financial years ended December 31, 1995, 1994 and 1993 for the chief executive officer and the four other most highly compensated executive officers of the Corporation for 1995. Those listed in the table are hereinafter referred to as the "named executive officers". Information on the compensation of the executive officers of the Corporation's two major subsidiaries, Bell Canada and Northern Telecom Limited ("Nortel"), can be found, respectively, in the Annual Information Form of Bell Canada and in the Proxy Circular and Proxy Statement of Nortel.

Summary compensation table

		Annual compensation			*Long-term compensation**		
					Awards		
Name and principal position (1)	*Year*	*Salary ($)*	*Bonus ($) (2)*	*Other annual compensation ($) (3)*	*Securities under Options/ SARs granted (#) (4)*	*Restricted Shares or Restricted Share Units ($) (5)*	*All other compensation ($) (6)*
L.R. Wilson Chairman, President and Chief Executive Officer	1995	871,200	0	–	30,347	4,393 Shares based on $464,500 pre-tax	207,883
	1994	802,000	6,320 Shares based on $590,000 pre-tax	162,629	27,990	–	218,811
	1993	738,500	0	–	24,850	–	221,791
D.H. Burney Executive Vice-President, International (Chairman, President and Chief Executive Officer, Bell Canada International Inc.)	1995	350,000	0	–	6,142	2,063 Shares based on $220,000 pre-tax	7,896
	1994	350,000	225,000	–	5,665	–	10,933
	1993	316,346	113,800	–	10,000	–	75,372
R.W. Osborne Executive Vice-President and Chief Financial Officer	1995	330,220	0	–	10,000	1,284 Shares based on $135,800 pre-tax	57,048
	1994	–	–	–	–	–	–
	1993	–	–	–	–	–	–
T.J. Bourke Group Vice-President, Directories (President and Chief Executive Officer, Tele-Direct (Publications) Inc.)	1995	232,600	0	7,667	4,052	901 Shares based on $97,225 pre-tax	22,433
	1994	230,000	75,000	–	3,738	–	30,576
	1993	218,000	93,000	–	3,948	–	27,460
J.J. Fridman Senior Vice-President, Law and Corporate Secretary	1995	237,000	0	17,015	3,618	693 Shares based on $73,300 pre-tax	47,095
	1994	237,000	168,100	–	3,337	–	40,795
	1993	237,000	70,000	13,212	3,528	–	41,995

*No Long-Term Incentive Plan ("LTIP") payouts were provided. The relevant column was therefore omitted.

(1) Mr. Osborne joined the Corporation on January 21, 1995.

The following named executive officers received all or part of their executive compensation from subsidiaries of BCE as follows: Mr. Burney from BCI (formerly BCE Telecom International Inc.) and Mr. Bourke from Tele-Direct.

(2) Includes awards made under the BCE short-term incentive program in respect of each of the financial years. In the case of Mr. Burney, the 1994 award includes $195,000 granted by BCI. In the case of Mr. Bourke, the 1994 and 1993 awards include $51,850 and $68,000, respectively, granted by Tele-Direct.

At Mr. Wilson's request, the after-tax amount of his short-term incentive award for 1994 was applied to the purchase of BCE common shares in the open market. Accordingly, the Corporation withheld and remitted federal and provincial taxes and the balance was used to purchase for Mr. Wilson 6,320 BCE common shares.

This column includes special awards granted by BCE in respect of 1994 and 1993.

(3) "Other annual compensation" consists, in the case of Messrs. Wilson, Bourke and Fridman, of Special Compensation Payments ("SCPs") upon exercise of stock options.

BCE executive officers participate in a supplementary health plan for BCE officers only. This plan is considered a perquisite.

Perquisites and other personal benefits for named executive officers are not included since they did not exceed minimum threshold disclosure levels in 1995, 1994 and 1993.

(4) Options granted under the Long-Term Incentive (Stock Option) Program (1985) (the "Plan") of the Corporation.

Options granted to D.H. Burney in 1993 and to R.W. Osborne in 1995 were pursuant to the terms of their respective offers of employment from BCE.

SCPs were attached to all options granted in 1995, 1994 and 1993 to the named executive officers under the Plan. These SCPs are cash payments equal to the gain upon exercise of an option and are provided for the purpose of paying taxes upon exercise of an option. Freestanding Stock Appreciation Rights ("SARs") cannot be granted under the Plan.

(5) Awards of restricted BCE common shares purchased in the open market. The dollar amount represents the market price of the restricted shares before remittance of withholding taxes. The restricted shares, which are vested and placed in escrow, cannot be sold until the earlier of January 31, 1999, death, retirement, or termination of employment of the officers. Dividends on the restricted shares are paid to the officers. In the case of Mr. Burney, the 1995 award was granted entirely by BCI. In the case of Mr. Bourke, the 1995 award includes $87,225 granted by Tele-Direct.

(6) "All other compensation" includes directors' fees paid by BCE subsidiaries; company contributions under the BCE Employees' Savings Plan (1970) which is described below; in the case of Messrs. Wilson, Burney, Osborne and Fridman, a health program allowance paid by BCE and certain subsidiaries; in the case of Mr. Wilson, payment for life insurance premiums in 1994 and 1993; and for Mr. Burney, an expense allowance paid in 1993 under the Corporation's relocation policy.

Under the BCE Employees' Savings Plan (1970), BCE employees, including executive officers, are eligible to make a basic contribution towards the purchase of BCE common shares of up to six per cent of their basic wages matched by a BCE contribution of $1 for every $3 contributed by the employee.

The health program allowance mentioned above is equal to 1.5% of salary and is paid by BCE and certain subsidiaries to all management employees residing in the Province of Quebec.

Stock options

The following table sets forth individual grants of stock options under the Long-Term Incentive (Stock Option) Program (1985) (the "Plan") of the Corporation during the financial year ended December 31, 1995 to each of the named executive officers.

Option / SAR grants during the most recently completed financial year

Name	*Securities under options / SARs granted (#) (1) (2)*	*% of Total options / SARs granted to employees in financial year (2)*	*Exercise or base price ($ / Security)*	*Market value of securities underlying options / SARs on the date of grant ($ / Security) (2)*	*Expiration date*
L.R. Wilson	30,347	16.6%	$43.0625	$43.0625	Feb. 21, 2005
D.H. Burney	6,142	3.4%	$43.0625	$43.0625	Feb. 21, 2005
R.W. Osborne	10,000	5.5%	$42.6250	$42.6250	Feb. 1, 2005
T.J. Bourke	4,052	2.2%	$43.0625	$43.0625	Feb. 21, 2005
J.J. Fridman	3,618	2.0%	$43.0625	$43.0625	Feb. 21, 2005

(1) Each option granted under the Plan covers one common share of the Corporation. A Special Compensation Payment ("SCP") was attached to each option granted to the named executive officers under the Plan. The Plan is described in the **Report on executive compensation.**

(2) As freestanding SARs have not been granted, the numbers relate solely to stock options.

The following table sets forth details of all exercises of stock options by each of the named executive officers under the Plan during the financial year ended December 31, 1995, and the financial year-end value of unexercised options on an aggregated basis:

Aggregated option / SAR exercises during the most recently completed financial year and financial year-end option / SAR values

Name	*Securities acquired on exercise (#)*	*Aggregate value realized ($) (1)*	*Unexercised options / SARs at December 31, 1995 (#) (3)*		*Value of unexercised "in-the-money" options / SARs at December 31, 1995 ($) (2) (3)*	
			Exercisable	*Unexercisable*	*Exercisable*	*Unexercisable*
L.R. Wilson	–	–	38,677	70,184	$54,073	$191,795
D.H. Burney	–	–	6,416	15,391	$25,573	$53,447
R.W. Osborne	–	–	–	10,000	–	$46,875
T.J. Bourke	2,011	$7,667	21,026	10,552	$111,639	$26,869
J.J. Fridman	2,388	$17,015	20,926	9,423	$115,181	$23,997

(1) Aggregate value realized is calculated using the average of the closing prices for a board lot of common shares of the Corporation on The Toronto Stock Exchange and the Montreal Exchange on the date of exercise, less the exercise price. Excludes an equivalent value received as a Special Compensation Payment which is disclosed in the **Summary compensation table** under "Other annual compensation".

(2) Value of unexercised "in-the money"* options calculated using the average of the closing prices for a board lot of common shares of the Corporation on The Toronto Stock Exchange and the Montreal Exchange on December 29, 1995, less the exercise price of "in-the-money" options.

*Note: "In-the-money" options are options that can be exercised at a profit, *i.e.* the market value of the shares is higher than the price at which they may be bought from the corporation.

(3) As freestanding SARs have not been granted, the numbers relate solely to stock options.

Pension arrangements

Named executive officers participate in the non-contributory defined benefit pension plan of the Corporation or similar plans of its subsidiaries (the "Pension Plan"). In addition, executive officers enter into supplementary executive retirement agreements ("SERPs"). The following table shows estimated annual pension benefits payable upon retirement on December 31, 1995, at age 65, to officers in specified average earnings and service classifications. In no case may an officer receive under the basic Pension Plan and the SERP an annual aggregate pension benefit from BCE and its affiliated companies in excess of 70 per cent of average pensionable earnings.

Pension plan table

Pensionable earnings	*Credited years of service*			
	20	*30*	*40*	*50*
$ 100,000	$ 27,900	$ 40,700	$ 53,400	$ 67,300
300,000	93,300	136,100	178,800	210,000
500,000	158,700	231,500	304,200	350,000
700,000	224,100	326,900	429,600	490,000
900,000	289,500	422,300	555,000	630,000
1,100,000	354,900	517,700	680,400	770,000
1,300,000	420,300	613,100	805,800	910,000
1,500,000	485,700	708,500	931,200	1,050,000
1,700,000	551,100	803,900	1,056,600	1,190,000

Benefits shown above are not subject to any deductions for government benefits or other offset amounts. The benefits are partially indexed annually to increases in the Consumer Price Index but in no case can indexation exceed 4%.

The following describes the pensions payable to the named executive officers under the Pension Plan, as supplemented by the SERPs:

(a) Pensions are based on pensionable service and the average of the best consecutive thirty-six months of pensionable earnings. Pensionable earnings include salary and certain designated awards. The inclusion of such awards is subject to a maximum limit. Annualized pensionable earnings for 1995 are as follows: L.R. Wilson $1,335,700, D.H. Burney $473,400, R.W. Osborne $473,400, T.J. Bourke $314,000 and J.J. Fridman $306,800.

(b) Pensions are delivered on a "single-life" basis with a spousal survivor benefit entitlement of approximately 60 per cent.

(c) A retirement allowance equal to one year's base salary is payable at time of retirement. (This amount is not included in computing the officer's pensionable earnings.)

(d) BCE has undertaken to make periodic contributions or, at its discretion, to deposit one or more letters of credit or similar instruments to a trust fund for the funding of certain benefits, to which officers who have retired since 1991 were entitled under their SERPs. Such a trusteed arrangement is commonly referred to as a Retirement Compensation Arrangement (RCA).

(e) For purposes of computing their total retirement benefits, as of January 1, 1996, Mr. Bourke had 37.3 years of credited years of service and Mr. Fridman, 31.9 years.

Messrs. Wilson's and Burney's pension arrangements are independent of actual credited service years. Mr. Wilson, under the terms of his SERP with BCE, will receive a retirement income of 60 per cent of the average base salary if he retires at age 55, 65 per cent of the average pensionable earnings at age 60 and 70 per cent of the average pensionable earnings at age 65. Mr. Burney, under the terms of his offer of employment, was guaranteed a pension at age 65 which would be no less than 35 per cent of the average pensionable earnings.

Mr. Osborne, under the terms of his offer of employment, was guaranteed a pension, starting at age 55, which would be no less than 2.5 per cent, per year of service, of the average pensionable earnings. For purposes of pension calculation, Mr. Osborne had 0.9 years of service as of January 1, 1996.

Indebtedness of directors and officers

No director, executive officer or senior officer of the Corporation, or proposed nominee for election as a director of the Corporation, nor any associate thereof, is currently indebted to the Corporation or its subsidiaries, with the exception of Mr. Davies who was an executive officer of the Corporation during 1995 and whose indebtedness to Northern Telecom Inc. ("NTI"), a subsidiary of Northern Telecom Limited, is shown in the table below. As at January 31, 1996, the aggregate indebtedness of all current and former directors, officers and employees of BCE and of its subsidiaries, to BCE and its subsidiaries, entered into for purposes other than the purchase of securities of BCE and of its subsidiaries was approximately $24,600,000. In addition, BCE and its subsidiaries are paying interest on loans arranged by their officers and employees with third parties for purposes other than the purchase of securities of BCE and of its subsidiaries, which loans amounted in the aggregate to approximately $900,000 as at January 31, 1996.

Table of indebtedness of directors, executive officers and senior officers

Name and principal position	*Involvement of issuer or subsidiary*	*Largest amount outstanding during the year 1995*	*Amount outstanding as at February 20, 1996*
J.D.M. Davies (1) Former Senior Vice-President, Corporate Strategy	NTI as lender	US $500,000	US $500,000

(1) An interest free relocation loan of US $500,000 was made in 1990 by NTI to Mr. Davies. Mr. Davies must repay the housing loan at the end of the second year after retirement or upon the sale of his residence, whichever is earlier. NTI has a security interest over Mr. Davies' residence.

Compensation of directors

Each director who is not a salaried officer of BCE is entitled to be paid $25,000 per annum for services as a director, a portion of which, since May 3, 1995, may be used for quarterly purchases of common shares of the Corporation under the Shareholder Dividend Reinvestment and Stock Purchase Plan. That portion may vary between $5,000 and $20,000 per annum. Each director is also entitled to be paid $5,000 per annum per committee for services as a member of any standing committee of the Board and $4,000 per annum for services as chairman of any standing committee of the Board. In all cases, the directors who are not salaried officers of BCE are entitled to an attendance fee of $1,000 per meeting.

During the last completed financial year, some directors of BCE also received compensation from certain subsidiaries of the Corporation for services in their capacity as directors of such subsidiaries. Mr. Wilson was a director of Bell Canada, Nortel and BCE Mobile. Mr. J.V.R. Cyr, who was a director until May 3, 1995, was Chairman of the Board of Bell Canada and of TMI Communications Inc., and a director of Nortel and BCE Mobile. Mr. R.M. Barford was a director of Nortel. Mr. C.R. Sharpe, who was a director until May 3, 1995, was a director of Bell Canada. Mr. W. Chippindale was a director of Bell Canada and BCE Mobile. Such subsidiaries' standard arrangements for directors' compensation are described in the table below.

	Annual retainer			Attendance fees	
Subsidiaries	*Board of Directors*	*Committees*	*Committee Chairman*	*Board of Directors*	*Committees*
Bell Canada (a)	$16,000	$4,000	$4,000	$1,000	$1,000
Nortel (b)	US $25,000	US $2,000 (US $3,000 [1])	US $3,000	US $1,500	US $1,000
BCE Mobile	$8,000	$1,000	$2,000	$750	$750
TMI Communications Inc. (c)	$6,000	–	$6,000	$600	$600

[1] Executive Committee

(a) In addition to fees normally paid to a director of Bell Canada, Mr. Cyr received a stipend of $50,000 in 1995 from Bell Canada for his services as non-executive Chairman of the Board.

(b) Up to US $20,000 of the Board retainer can be used to purchase Nortel shares.

Additional special remuneration, at the rate of US $3,000 per diem, subject to a maximum of US $50,000 per annum, may be paid to any director (other than an employee or officer of Nortel) undertaking special services at the request of the Board of Directors, any committee of the Board of Directors or the chief executive officer, beyond those services ordinarily required of a director of Nortel.

Each director who is not a salaried employee of, or entitled to a monthly pension or other retirement allowance under a pension plan or like arrangement established by Nortel or any of its subsidiaries, is entitled to annual retirement compensation from Nortel at the rate of 75 per cent of the greater of US $27,500 or the annual board retainer payable when such director ceases to hold office, plus indexed retirement compensation at the rate of 56.25 per cent of any increase in the Board retainer fee. Any such retirement compensation is paid quarterly during the retired director's lifetime, subject to certain survivor income benefits, for a period equal to the lesser of his or her tenure as a director or 10 years (40 quarters).

Nortel maintains, at its cost, group life insurance for each individual who holds office as a director of Nortel and who neither has been nor is a salaried employee of Nortel or of any of its subsidiaries. Such insurance is in an amount of $100,000 while such an individual is a director and in an amount of $75,000 after the retirement of any such individual at or after age 65, or at any lesser age if such individual has then served for not less than 10 years as a director of Nortel.

(c) In addition to fees normally paid to a director of TMI Communications Inc., Mr. Cyr receives $6,000 as annual retainer for acting as Chairman of the Board.

BCE seeks to attain high standards of corporate governance. The Board of Directors considered the corporate governance guidelines recently adopted by both the Toronto and Montreal stock exchanges and believes that it is in alignment therewith. The following describes BCE's corporate governance practices.

MANDATE OF THE BOARD

The Board of Directors has overall responsibility for the management or supervision of the management of the affairs of the Corporation. The Board has established an administrative procedure which prescribes the rules governing the approval of transactions carried out in the course of the Corporation's operations, the delegation of authority and the signing or execution of documents on behalf of the Corporation. For instance, appointment of officers as well as investments and expenditures above a certain dollar threshold are subject to review and approval by the Board. In performing its responsibilities, the Board, a committee of the Board or an individual director may, as required, and subject to the approval of the Chairman of the Management Resources and Nominating Committee (the "MRNC"), engage an outside adviser at the expense of the Corporation. More specifically, the Board assumes the following principal responsibilities:

(i) *Strategic Planning:* The Board approves the BCE corporate strategy. Key activities of the strategy are incorporated into the annual management performance mandate, or Corporate Mandate, which is measured at six-month intervals.

(ii) *Succession Planning, including Appointing, Training and Monitoring Senior Management:* As part of its mandate, the Board focuses on the integrity, quality, and continuity of management required to attain the Corporation's goals. The MRNC reviews and reports to the Board on succession planning and on senior management development and performance at six-month intervals. An annual performance mandate is set by the Board early in the year which is comprised of strategic business objectives and quantifiable financial targets. The MRNC annually reviews management's performance and compensation against this set of objectives.

(iii) *Monitoring of Financial Performance, Financial Reporting and Risk Management:* The Audit Committee reviews, reports and provides recommendations to the Board on financial performance, financial reporting and risk management. See below, "Board Committees - The Audit Committee" for a description of the activities of the Audit Committee.

(iv) *Communications Policy:* The Board approves periodically a communications plan to address communications with shareholders, employees, financial analysts, governments and regulatory authorities, the media and the Canadian and international communities. Procedures for receiving feedback from shareholders have also been developed. For instance, in addition to the annual meeting, lines of communications (meetings, conferences and quarterly conference calls) have been established with the financial community to explain BCE's results and corporate strategy as well as to answer questions. BCE also has a toll free number for shareholder enquiries.

COMPOSITION OF THE BOARD

The Board is composed of twelve directors, all of whom are unrelated and outside directors except Mr. L.R. Wilson, who is the Chairman of the Board, President and CEO of BCE. The unrelated directors represent a wide variety of business sectors. The corporations to which these directors are related have had insignificant dealings with the BCE group of companies. The Board was reduced from twenty members to twelve in the last four years.

The Board's objective, with respect to the composition of the Board, is to have a sufficient range of skills, expertise and experience and a reasonable geographical representation in relation to shareholders. The directors are chosen for their ability to contribute on the broad range of issues the Board must deal with. Former CEOs of the Corporation may be invited to serve on the Board for a period not to exceed a total of three (3) successive one-year terms after retirement. The MRNC receives suggestions for candidates from individual Board members, the CEO, shareholders, as well as professional search organizations.

INDEPENDENCE OF THE BOARD

The Board does not have a chair separate from management. However, the Chairman of the MRNC has been designated by the Board as the "lead director" with the responsibility of ensuring that the Board can function independently of management. In addition, directors can add items to board agendas which are distributed in advance of meetings and agendas for committee meetings are under the responsibility of the chairman of such committees. Furthermore, the Board meets without Mr. Wilson when the performance and compensation of the CEO is discussed and, finally, there is a process (which includes a questionnaire distributed to directors by the Chairman of the MRNC) by which feedback is solicited from directors on how the Board can operate more effectively.

BOARD COMMITTEES

There are three committees of the Board, each of which is composed of four directors, which meet at preset times throughout the year. Additional meetings are held as required. The MRNC met five times in 1995, the Audit Committee seven times and the Pension Fund Policy Committee (the "PFPC") three times. Committees are composed of and chaired by outside and unrelated directors except the PFPC which includes as a member Mr. L.R. Wilson.

THE MANAGEMENT RESOURCES AND NOMINATING COMMITTEE

The MRNC reviews, reports and, where appropriate, provides recommendations to the Board on: candidates for election to the Board; the appointment of the CEO; directors' remuneration in relation to current compensation practices; existing management resources and succession plans for officers and other ranks; the performance of the CEO and other officers; the Corporation's executive compensation policy; any proposed changes in organization, or to the Corporation's pension and benefit plans; and matters of corporate governance. The MRNC also establishes management performance criteria and undertakes periodic surveys of all directors to allow each director to assess the effectiveness of the Board as well as to appraise his/her own participation on the Board. It reports to the Board periodically on the Board's assessment of its effectiveness. It also ensures an orientation and education program for new recruits to the Board.

THE AUDIT COMMITTEE

The Audit Committee reviews, reports and, where appropriate, provides recommendations to the Board on: the annual and interim consolidated financial statements and the integrity of the financial reporting of the Corporation; the adequacy of the Corporation's processes for identifying and managing risk; the adequacy of its internal control system; the adequacy of its processes for complying with laws and regulations; the appropriateness of and compliance with the policies and practices of the Corporation relating to business ethics; the appointment, terms of engagement and proposed fees of the shareholders' auditor; the appointment and mandate of the internal auditor; the relationship between related entities' audit committees and that of the Corporation; and the relationship between the Audit Committee, other Board committees and management.

THE PENSION FUND POLICY COMMITTEE

The PFPC advises the Board on policy with respect to the administration, funding and investment of the Corporation's pension plan and the unitized pooled fund sponsored by the Corporation for the collective investment of the Corporation's pension fund and participating subsidiaries' pension funds (the "Master Fund"). The PFPC also generally oversees the administration and investment of the Corporation's pension plan and Master Fund.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Group liability insurance in the aggregate amount of US $135 million (approximately Can. $186 million) is purchased for the protection of all the directors and officers of the Corporation, its subsidiaries and certain of its associated companies against liability incurred by such directors and officers. In 1995, the amount charged against earnings by the Corporation for its portion of the premium paid in respect of its directors as a group was $400,126 and in respect of its officers as a group was $300,095. In any case in which the Corporation is not permitted by law to reimburse the insured, the deductible is nil. Where the Corporation is permitted to reimburse the insured, the deductible is US $500,000 (approximately Can. $691,000).

ADDITIONAL INFORMATION

The following documents are available upon request from the Senior Vice-President, Law and Corporate Secretary of BCE, at 1000, rue de La Gauchetière Ouest, Suite 3700, Montreal (Quebec) H3B 4Y7:

(a) one copy of its latest Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference therein, from the date of its filing with the securities commissions or similar authorities in Canada;

(b) one copy of the comparative financial statements of BCE for its most recently completed financial year together with the accompanying report of the auditors thereon, both contained in BCE's 1995 Annual Report, and one copy of any interim financial statements of BCE subsequent to the financial statements for its most recently completed financial year; and

(c) one copy of this Notice of 1996 Annual Meeting and Management Proxy Circular.

I, the undersigned, Senior Vice-President, Law and Corporate Secretary of BCE Inc., hereby certify that the contents of this Circular and the sending of this Circular to each shareholder entitled to receive notice of the annual meeting, to each director, to the auditors of the Corporation and to the appropriate governmental agencies were approved by the Board of Directors of the Corporation at a meeting held on February 28, 1996.

J.J. Fridman
Senior Vice-President, Law and Corporate Secretary

Montreal, February 28, 1996

Information Concerning Proxies

To ensure representation of your shares at the meeting, please complete, sign and return your proxy form as soon as possible.

It is important that your shares be represented at the meeting and that your wishes be made known to the directors. This will be assured, whether or not you attend the meeting, if you complete and sign the enclosed proxy form, and return it as soon as possible in the postage-paid envelope provided.

Proxies are counted and tabulated by Montreal Trust Company, the transfer agent of the Corporation, in such a manner as to preserve the confidentiality of individual shareholder votes, except (a) as necessary to meet applicable legal requirements, (b) in the event of a proxy contest or (c) in the event a shareholder has made a written comment on the proxy form.

If you are present at the meeting and choose to vote in person on any ballot that may be called, your proxy will not be used; if you do not attend or do not wish to vote in person, your proxy will be voted for or withheld from voting in accordance with your wishes as specified thereon on any ballot that may be called at the meeting.

Proxies to be used at the meeting must be sent to the transfer agent of the Corporation, Montreal Trust Company, by mail at Box 580, Station B, Montreal (Quebec), Canada H3B 3K3, or delivered in person at 1800, avenue McGill College, 6th Floor, Montreal (Quebec).

Shareholders residing in the United States should mail their proxies to BCE's transfer agent at Box 127, Rouses Point, N.Y. 12979-9930, U.S.A. and those residing outside Canada and the United States at Box 127, Rouses Point, N.Y. 12979-9929, U.S.A.

All proxies must be received by BCE's transfer agent, Montreal Trust Company, prior to 4:45 p.m. (Montreal time) on Friday, May 3, 1996.

Canadian mail service interruption

If there is mail service interruption in Canada prior to mailing by a Canadian shareholder of a completed proxy to BCE, it is recommended that the shareholder deposit the completed proxy, in the envelope provided, at any of the following offices of Montreal Trust Company which has been appointed BCE's agent for this purpose:

Alberta
Western Gas Tower
530 - 8th Avenue, S.W.
8th Floor
Calgary

1101, 10200 - 102nd Avenue
Edmonton

British Columbia
510 Burrard Street
2nd Floor
Vancouver

Manitoba
200 Portage Avenue
Mezzanine Level
Winnipeg

New Brunswick
53 King Street
Saint John

Newfoundland
245 Water Street
St. John's

Nova Scotia
1465 Brenton Street
5th Floor
Halifax

Ontario
21 King Street, W.
Hamilton

96 Sparks Street
Ottawa

151 Front Street, W.
8th Floor
Toronto

Prince Edward Island
143 Grafton Street
Charlottetown

Quebec
Place Montreal Trust
1800, avenue McGill College
6th Floor
Montreal

475, rue Saint-Amable
Quebec

Saskatchewan
1778 Scarth Street
Suite 204
Regina

In addition, the completed proxy may also be deposited at any Scotia Bank branch which will arrange for forwarding same to the nearest office of Montreal Trust Company.

Shareholders residing outside Canada will not be affected by a Canadian mail service interruption if they use the envelope provided by BCE for the return of their proxy.

Out of concern for the environment, BCE's Notice of 1996 Annual Meeting and Management Proxy Circular is printed with vegetable-based ink and is completely recyclable.

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